NRN FOCUS

Menu
Beefsteak Charlie's
Hamburger Hamlet
Brown Derby
CC
Papa Gino's
Chi-Chi's
Mexican Dinner
Ginger Man

2ND TIER CHAINS

The battle for regional dominance

By Charles Forman

Among restaurant chains today there's a phenomenon that calls for closer examination: the "second-tier" or regional chain.

Second tier chains are not second in anything, except, perhaps, size.

They are the Rusty Pelikans, Chicago Brothers Pizzas, Hamburger Hamlets, Papa Gino's, Beefsteak Charlie's, Ginger Man restaurants, Lettuce Entertain You units, Brown Derby's, Win Schuler's and 200 others.

Just a list of their names helps make the point of this special focus section, that many so-called second-tier chains are doing first-rate jobs that others can learn from.

Most simply expressed, second-tier chains are those too small to find a place on the *Nation's Restaurant News* Top 100 Chain Analysis. For the most part these second-tier chains will probably do less than $100 million in systemwide sales during their current fiscal year. All will do more than $5 million.

They will in many instances be standout bottom line performers, fast growers, or be dealing with special problems with outstanding creativity.

That's why they are worth a second look.

As the nation struggles this spring to cast off bugaboos of high unemployment and interest rates, slow or no GNP growth, a fall-off in capital investment, and disappointing financial performances by major industrial sectors, problem solvers *should* be put under a microscope.

Smaller restaurant chains are almost always under the gun. To continue to exist they often have no choice but to find answers to problems the large chains can at least temporarily ignore.

Probably their biggest problem is competition from those big brothers that continue to gain in share of the United States restaurant market.

Large restaurant chains benefit from large advertising budgets that smaller groups cannot afford. They benefit from borrowing power. They benefit from a well-known name that not only draws customers but also potential franchisees.

These factors can all be seen at work when one looks at the particular second-tier chains and the kinds of chains that are succeeding today.

First, the second-tier phenomenon is in large measure a regional one. Advertising and administrative considerations are paramount here—as is catering to regional tastes.

For this reason, this special section is organized by United States Census Bureau regions. The census bureau groups states into nine geographic regions, tying together areas with at least some homogeneity.

In addition, some second-tier chains are not a single concept, cloned to numerous units, but a loose grouping of restaurants tied together by an entrepreneur's creativity and vision.

Examples are Phoenix's Big Four Restaurants, New York's Ginger Man Group, Chicago's Lettuce Entertain You and Errant Enterprises.

Second-tier chains are, finally, often only temporarily second tier—they are the giants of the future.

As chicken concepts spread, as Mexican dinnerhouses grow, as family steakhouses gain strength in the South, even while flagging in the rest of the nation, as new seafood chains commence rapid expansion, the results seem obvious.

A Bojangles, or a Golden Corral, a Chi-Chi's or a Sea Galley will be on the Top 100 Chain list by this summer or in 1983 or the year after.

Meanwhile, a "first-tier chain" that wasn't as innovative, efficient or appealing to a new generation of consumers will have fallen.

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NEW ENGLAND REGION

Standout performance by New England-based chain restaurants will be tough in 1982. Growth in disposable personal income will be below the national average this year as it was in 1981.

Nevertheless, second tier concepts like Papa Gino's, Brigham's, Pewter Pot and Newport Creamery shouldn't have to despair.

High Tech Industry

The region's manufacturing firms include many high technology companies—firm's that make computers and office equipment—that are less hurt by recession than steel and auto makers.

Cold New England's worst problem is slow population growth—compared to the gains of some other areas of the country.

Pizza, ice cream and coffee shop concepts look like the region's strongest, as in past years.

Patrons demand good value; Papa Gino's leading the way

By Roman Czajkowsky

Regional dinnerhouse chains and ice cream parlors might be the traditional favorites of the New England eating-out market, but right now it's a pizza/sandwich/pasta concept that appears to have one of the strongest growth rates among "second tier" chains here.

Papa Gino's, a Needham, Mass.-based company founded 22 years ago, operates 110 units, all company-owned. That's up from 95 units in 1980; this year, an additional 20 stores are planned. In fiscal 1981, ended last September, sales were $46 million, up from the $37.4 million reported the year before.

Papa Gino's pace of expansion has been faster than that of some other established regionals, which include the Pewter Pot, a 32-unit dinnerhouse chain; Brigham's, which offers ice cream and sandwiches at its 105 locations, and another ice cream and sandwich shop concept, the 31-unit Newport Creamery.

In only three New England states a couple of years ago, Papa Gino's units are now located in every state of the region. The chain is now also making inroads into upstate New York.

What's behind the concept's apparent popularity?

Company officials ascribe it to the three "musts" New Englanders look for in chain restaurants: consistency of product quality, a comfortable atmosphere, and, above all, price value.

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NEW ENGLAND REGION

Value-conscious market favors local chains

(Continued from page 37)

The latter has long characterized the New England eating-out market. In the words of one local chain official, the market is "extremely competitive: Price levels are substantially lower than, say, in the New York area market."

Papa Gino's pizza products, which account for 55% of the chain's total sales, range in price from $2.55 to $4.30 for a small pizza to $4.30 to $6.55 for a large one depending on the number of toppings.

About half of all units are located in malls of various sizes; the balance are in shopping and strip centers. There are also 16 freestanding stores.

About 65% of all units are located in the Boston vicinity, according to Ronald Spinazola, the chain's marketing director.

Aside from pizza, Papa Gino's also carries a line of submarine sandwiches; a line of pasta dishes such as zita, ravioli and veal parmigiana, and, where possible, wine and beer. Table service is provided at only a couple of locations.

Papa Gino's franchised, at one time, but the last franchised outlet was closed some five years ago. There are no plans to revert to franchising, according to Spinazola, primarily because the chain feels it can control product consistency better in its own stores.

One factor in favor of Papa Gino's is the relative lack of competition from national pizza chains. Pizza Hut recently sold its 10 Boston area units to a local company, Pizzeria Regina. The Pizza Huts are now being converted to that concept.

In fact, a number of national chains historically have found the going tough in the New England market.

Because of the traditionally low price levels, gross margins are generally lower than in many other areas of the country; operating costs, on the other hand, are higher than average, in part because of high energy costs. As a result, said one industry official, "it's just not that lucrative for a newcomer to enter the market."

In addition, according to that official, New England consumers "tend to have strong preferences in terms of what they're comfortable with." The upshot is that consumers here show strong chain loyalty.

Customer loyalty is particularly the case at coffee shops and ice cream parlors, the region's favorite chain concepts. Not surprisingly, none of the stronger dinnerhouse or ice cream chains are recent newcomers.

Most are also uniquely "New Englandish" in character, a further indication of customer preferences here, at least outside the immediate Boston market.

One such chain is the Pewter Pot, a 32-unit, privately held dinnerhouse concept whose signature product is muffins.

The chain, based in Burlington, Mass., was founded 17 years ago. Its units carry a colonial decor and offer a broad-based breakfast, lunch and dinner menu that occasionally includes such local favorites as baked scrod.

Of the 32 units, 14 are franchised. Systemwide sales are $13 million, an increase of 5% from last year, according to Bruce Butterworth, the company's president, who cited the past year's poor economic conditions for the relatively lackluster performance.

Wilbraham, Mass.-based Friendly's is the Pewter Pot's and similar chains' principal competitor, though Howard Johnson's and Denny's, with their national advertising clouts, compete for market share as well. The smaller chains' main strategy in competing with bigger chains has been to stress their specialty products and signature items.

Brigham's, for example, is primarily an ice cream parlor chain that also offers a line of sandwiches at most of its 105 locations.

And while Friendly's has in recent years substantially broadened its menu to get away from its ice cream parlor of old, Brigham's is not about to move away from its ice cream marketing strategy, according to Robert Nakasone, the chain's president.

"We feel that our consumer niche is ice cream, we think that we offer the best value, and that's why we'll stick to it," Nakasone said.

Founded in 1916, the chain operates exclusively in Massachusetts. About 80% of the units are franchised. A subsidiary of Chicago-based Jewel Companies, Brigham's does not disclose its performance record, though annual sales are known to be about $40 million.

At another ice cream and sandwich shop chain, Rhode-Island-based Newport Creamery, ice cream accounts for between 40%-50% of units' sales, said the chain's president, Peter Rector. The privately held company's 31 units are grossing $14 million a year, an increase of about 10% over the year before. (Two units were added over the past year.)

As do some of the other regional chains, the Newport Creamery's decor emphasizes local history.

One noted signature item is a milkshake called "Awful, awful."

NEW ENGLAND

Connecticut

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Tombrock	fast food family rests. dinnerhouses	Stamford	205	$90
Massachusetts				
Valle's	steakhouses	Wellesley	35	70
Papa Gino's	fast food pizza	Needham	110	46
Brigham's	family rests.	Arlington	105	40
Bickford's	family rests.	Brighton	28	22
Anthony's	tablecloth	Lynn	5	20
Pewter Pot	family rests.	Burlington	32	13
For Pete's Sake	dinnerhouses	N. Arlington	7	8
Rhode Island				
Newport Creamery	family rests.	Middletown	31	14

Source: *NRN research*

NEWPORT CREAMERY
ICE CREAM
And SANDWICHES
Serving
FULL BREAKFAST
7AM-11AM
DAILY
WELCOME
WINDOW VICE

Newport Creamery, with 31 units, is one of several ice cream and sandwich chains thriving in New England.

NRN FOCUS

MIDDLE ATLANTIC REGION

Chains stress lower prices to offset stagnant economy

NRN Special Report

The Middle Atlantic region contains one of the world's premier cities, New York. The city has to stand alone as a regional or second tier restaurant chain market—just as it has to stand by itself in so many other respects.

New York, in its second tier restaurant chains, seems dominated by specialty restaurants and dinnerhouses on one hand and sandwich shops on the other.

Manhattan especially appears to be a rich market for the likes of Beefsteak Charlie's, the Ginger Man Group, Riese Bros., Blimpie and others.

The rest of the region has some strengths but also many weaknesses for smaller chains. While eating place sales are projected to move ahead fairly rapidly in employment-gaining New Jersey, the rest of the region will not fare so well.

Last year, the region lost manufacturing employment and population as well as suffering a dip in disposable personal income. This year, restaurants may feel the consequences.

By Roman Czajkowsky

Menu price cutting has become the apparent trend in parts of the Middle Atlantic region, whose recent poor economic showing has sent some regional chains scrambling for new strategies to keep customer counts from becoming anemic.

But while unit sales have remained lackluster for the most part, proven concepts and customer loyalty have so far helped such regionals as Winston, Aspen Group and Red Bull weather the general economic downturn and to stay competitive with national chains.

Privately held Red Bull Inns of America, a chain of dinnerhouses operating primarily in southwestern Pennsylvania, is one company that says it had to change its pricing strategy.

The 13 Red Bulls, which resemble Steak & Ales, have a basic menu of red meats and seafood. But, the cost of meat had pushed the average per person check above $10, a sum too steep for part of this market, where unemployment has been above and disposable incomes below the national average.

To keep those consumers coming through the doors, the company has been promoting lower ticket items, including all-you-can-eat specials, according to Richard Cuneo, marketing director.

"I think what's happening is that our basic customer, especially in Pittsburgh, has probably given up a little bit on quality [in exchange] for [a lower] price," Cuneo said. In turn, he said, the chain itself has "become more price conscious."

Red Bulls are now packaging various promotions, such as steak and all-you-can-eat pasta, which sells for $7.95.

There's also talk of reducing both the portion size and price of such high ticket items as the New York strip, which sells for $12.95.

But even while some prices are being lowered, quality control remains a priority at the 18-year-old chain, Cuneo maintained. For example, the company operates its own commissary, where fresh, U.S.D.A. Choice is cut for all restaurants.

The Middle Atlantic area has not spawned any distinctly "regional" chains, such as the South's Tex-Mex concepts. But its multiethnic character is reflected in the occasional German "Octoberfest" promotions and menu specials such as Polish kielbasa.

Red Bulls operates two other concepts, one a Houlihan-type restaurant and the other a barbecued ribs place. The former, called Bradley's, emphasizes drinks and appeals to a younger crowd. The ribs restaurant is named Sawbuck Sam's.

The prototypes are apparently less sensitive to economic conditions, and if company officials have it their way, both could grow into chains.

Red Bull's sales this year are about

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MIDDLE ATLANTIC

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
New Jersey				
Stewart's Dog 'n Suds	family rests. fast food	Cinnaminson	220	$48
Buxton's	family rests.	Jamesburg	9	5
New York				
Riese Bros.	tablecloth steakhouses	New York City	120	85
Horn & Hardart	fast food barbecue	New York City	65	70
Carrols	fast food burgers	Syracuse	80	55
Beefsteak Charlie	steakhouses	New York City	65	57
Blimpie	fast food burgers	New York City	115	45
Int'l Blimpie	fast food sandwiches	New York City	135	26
The Palm	tablecloth	New York City	9	25
Cooky's	steakhouses	Valley Stream	13	25
Chock Full o'Nuts	fast food sandwiches	New York City	40	23
Nathan's	fast food hotdogs	New York City	20	18
Maxwell's Plum	dinnerhouses	New York City	2	16
TWTF Group	tablecloth	New York City	4	11
Rosie O'Grady's	dinnerhouses	New York City	10	11
Robinex	dinnerhouses	East Rochester	12	10
Nedick's	fast food	New York City	52	10
Bun & Burger	fast food	New York City	18	9
Pennsylvania				
Isaly	family rests.	Pittsburgh	140	55
Dutch Pantry	family rests.	Camp Hill	70	40
Winston	dinnerhouses	Philadelphia	20	25
Red Bull	dinnerhouses	Carnegie	15	19
Aspen Group	dinnerhouses	Allentown	10	11

Source: *NRN research*

New York City spawns its own special brand of local chains

Several New York-based chains have managed to post impressive sales and demonstrate strong growth potential in a region dominated by some of the world's finest restaurants and filled with eating places of every size, shape and description.

Never a fertile soil for home-grown chains, New York nevertheless has produced Beefsteak Charlie's, a 70-unit steakhouse chain with sales in excess of $90 million, and International Blimpie Corp., a 200-unit sandwich chain with sales of $50 million.

While maintaining a solid base in New York, both Beefsteak Charlie's and Blimpie have expanded to other parts of the country.

In addition, a number of entrepreneurs have earned reputations as successful merchandisers of restaurant concepts, maintaining low profiles while operating numerous restaurants with various names and themes, thereby avoiding a chain identification.

One such multiunit operator is National Restaurant Corp. (the Riese Brothers Organization), operators of a large number of moderately priced limited menu restaurants in high-traffic Manhattan locations.

Of the restaurant companies which have managed to become firmly entrenched in the region's collective consciousness, Horn & Hardart is one of the few flexing its expansion muscle. Like the Riese Brothers, though, Horn & Hardart is not a chain in the traditional sense.

Established in 1911, Horn & Hardart built its reputation on high-quality automats—cafeterias which for years were very much a part of the local restaurant scene. Only eight automats remain today, and Horn & Hardart has diversified interests.

The company, a franchisee of both Burger King and Arby's, acquired the North Carolina-based Bojangles spicy fried chicken chain late last year and plans to add more than 100 units in various markets in the next 10 months.

Shortly after the Bojangles acquisition, Horn & Hardart purchased 8% of Victoria Station stock. Horn & Hardart also owns several other restaurants, a hotel-casino in Las Vegas, and a mail-order company.

Horn & Hardart now franchisees 27 Arby's in several markets, including New York, and plans to expand those operations. It also franchises 14 Burger Kings.

Before its acquisition of Bojangles, Horn & Hardart was reported to have $30 million cash and was on the prowl for other food-service companies. Bojangles appears to be a solid choice. Founded four and one-half years ago, the chain reports average unit sales of $1.1 million, which have been rising about $150,000 annually. Expansion plans call for 50 new franchised and 55 new company-owned Bojangles restaurants by the end of this year.

When Horn & Hardart purchased 8% of Victoria Station's stock, making it the second largest stockholder in that 98-unit dinnerhouse chain,

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NRN FOCUS

MIDDLE ATLANTIC REGION

Lower prices emphasized to offset economy

(Continued from page 40)

$19.4 million, up from $19 million a year ago, according to Cuneo.

At another regional, Philadelphia-based H. A. Winston & Co., sales have shown no increase over the prior year.

Its 20 restaurants, 10 of which are franchised, are described by Jerry Spivak, the company's owner and president, as "a notch below a Houlihan's or T.G.I. Friday's," or "neighborhood" versions of the two. Together, the restaurants are grossing "in excess" of $25 million, the same as a year ago, according to Spivak.

Burgers account for about 40% of total food sales. There are also Italian, stir-fried and seafood dishes. Alcoholic beverages account for 40% of the full-service restaurants' overall sales, Spivak said.

Echoing the sentiments of other regional chain officials, Spivak said his chain's strengths lie in part in its intimate knowledge of local tastes and preferences.

Like other small regionals, H. A. Winston is more flexible than many of the far flung national chains: For example, when recent bad weather in the region threatened business, the chain instantly decided on a special promotion to keep customer counts from dropping. At a centrally managed national chain, such flexibility might be less possible, Spivak maintained.

DUTCH PANTRY Restaurant
MOTOR INN
FOOD A PLENTY
SNACKS TO STEAKS

Pennsylvania-based Dutch Pantry may be on the verge of renewed growth under its new ownership.

Another regional, Allentown, Pa.-based Aspen group, operates four of its 10 dinnerhouses in Pennsylvania. (The others are located in North Carolina.) Seven of the 10 are Oh' Brians, which feature imported Danish baby back ribs. The others are Aspen Inns, where red meat predominates.

All restaurants are company-owned and average $1.1 million in sales.

One Pennsylvania-based chain that might be heard from yet—or again, depending on one's point of view is Dutch Pantry. Its 63 family restaurants, distinguished by their rustic, Pennsylvania Dutch decor and gift shops by the entrances, were recently acquired by Harley Hotels Inc., a 30-unit lodging chain. Harley Hotels was Dutch Pantry's largest franchisee.

The chain peaked in 1977, when there were 82 stores, but its acquisition by Harley might open the way for renewed growth.

Dutch Pantry restaurants are located in Eastern and Midwestern states.

NYC spawns its own brand of local chains

(Continued from page 40)

Barry Florescue, H&H's chairman and president, denied another acquisition was in the works.

Despite Florescue's claims that the Victoria Station stock purchase was for investment purposes only, speculation of a possible acquisition continues.

The most talked-about regional chain in the New York area is the 70-unit Beefsteak Charlie's, where sales this year will close in on the $100 million mark.

Beefsteak Charlie's 10-year history is filled with high peaks and very low valleys. An outgrowth of the failed Steak & Brew chain, Beefsteak Charlie's period of rapid growth in the early 1970's was followed by a 1976-77 reorganization under the provisions of the Chapter XI bankruptcy laws.

Larry Ellman, the company's president and chairman, has put the chain back on the right track with a series of shrewd marketing ideas, enviable site selections and a series of acquisitions of failed restaurants.

In the past few years, Beefsteak Charlie's Corp. has purchased 12 Emerson units on the East Coast, eight Jack August restaurants in Connecticut and Massachusetts, and Longchamps Inc., a restaurant company and meat supplier.

Beefsteak Charlie's units are situated in New York, New Jersey, Connecticut, Massachusetts, Maryland, Florida and Pennsylvania. The company also operates The Cattleman, The Saloon and Rib Country restaurants in New York City.

Sales Up

Since Beefsteak Charlie's reorganization, it has grown steadily. Sales in 1979 were $36.8 million and jumped to $47.7 million the following year; in 1981, sales were an estimated $91.3 million.

The company's uncanny ability to bounce back from financial difficulties and to convert failed units of other chains into thriving restaurants with average unit sales of $1.4 million has attracted the attention of other chain operators around the country as well as Wall Street analysts.

Beefsteak Charlie's strengths include a popular concept, a strong cash flow and a low level of long-term debt, estimated to be less than $5 million. The company's limited menu steakhouses are clumped in several different markets, making advertising effective.

Beefsteak Charlie's units feature steak, beef specials, barbecued baby back ribs, and several chicken and seafood dishes for dinner and soups, omelets, sandwiches, burgers, and hot platters for lunch. Average per-person dinner checks are between $10 and $12.

Dinner prices at most units include unlimited shrimp and salad bar, baked potato, and a goblet of beer or wine or a free soda. Some units offer takeout service for chicken and ribs.

With its high concentration of units in certain areas, Beefsteak Charlie's has put together a series of effective television and newspaper ads stressing value and quality. Much is made in these ads of the unlimited shrimp. Print ads in New York have been pushing the barbecued baby back ribs, an item that is becoming increasingly popular in New York.

Despite the heavy emphasis on beef and seafood, two high-cost items, food and liquor costs are about 42%. Menu prices range from $6.99 for burgers to $11.99 for steaks at dinner.

International Blimpie Corp., founded in the mid-1960's, was for years operated as two separate companies with different headquarters

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SODA
COFFEE
SANDWICHES
WE DELIVER
244-7038
299

Last year, International Blimpie Corp. consolidated its two operations.

EAST NORTH CENTRAL REGION

2nd tier chains show off their creativity, sensitivity

NRN Special Report

Second tier success today in the East North Central region goes primarily to the innovative marketers, chains like Win Schulers or Brown Derby. The region's more dependent than any other on the volatile auto and steel industries. Creativity is a survival skill.

The region is also, really, two markets. Like New York in its setting in the mid-Atlantic region, Chicago has to be considered apart from its surroundings.

Chicago is a very special restaurant market. At least half a dozen small, unique chains hold sway—Lettuce Entertain You, the Levy Organization, Pizzeria Uno, Errant Enterprises, to name a few. These groups and their peers are still on the march in Chicago with a rash of new concepts opening in '82.

Outside the Windy City, family restaurants and pizza chains dominate. Their sales will probably continue to lag as 1982 unfolds.

By Diane C. Farewell

Although automobile and industrial layoffs have driven the east north central region into a severe economic slump, restaurant chains are finding that creativity and sensitivity have helped them hold their own.

The creativity shows itself among the second-tier chains in special promotions and new concepts. The sensitivity is evident in moves such as menu price changes and menu offerings.

L-K, an Ohio chain of 127 family restaurants, recently lowered its breakfast prices to draw more customers. The chain also put more daily specials on its menu. The average check for L-K is $2.30.

Win Schuler developed special promotions aimed at increasing liquor sales which reportedly have increased by 2%. This Marshall, Mich.-based chain of nine restaurants also has introduced lighter, less expensive foods to its menu.

"People still want to get out and have fun but they're cautious," Hans Schuler, president, said. He added that many restaurants are offering price reductions and because profit margins are then reduced, alternative foods that aren't high in cost are sought, such as quiche and chicken.

"You won't have as high a margin, but at least you have customers coming in," Schuler said. Customer counts for his chain, which reportedly has sales of more than $13 million annually, were off 6% to 7% last year with the dinner period being the hardest struck.

To create traffic, Win Schuler, American cuisine restaurants, is trying to maintain its moderate-priced image while stressing fun. Lighter foods were added in the hope that "maybe they'll order less expensive items one night and dinner another night." The average dinner check is $10.

The biggest seller in the dining room is prime rib followed by fresh fish. Schuler said the menu mix at the restaurant used to be 50% to 60% beef. Now it's about one-third beef. About 10% of the menu mix is lighter foods.

Menus, he added, are designed for the region they serve. "It will be different in Flint than it is in Ann Arbor," Schuler said. Doing this has helped the chain position itself in the market. "If we didn't offer variety, they would go somewhere else," he said.

Special promotions to draw people into Win Schuler's bars have also been done. The objective was to increase the chain's liquor sales and develop the bar.

To reach this goal, specialty nights during which food is offered at low prices, were started. For example, Wednesday nights are Mexican with tacos priced at $1.95 for all you can eat. On other specialty nights spaghetti with meat or clam sauce, and

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EAST NORTH CENTRAL

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Illinois				
Bresler's	ice cream	Chicago	385	$45
Golden Bear	family rests.	Mt. Prospect	52	30
Levy Organization	family rests.	Chicago	10	20
Lettuce Entertain You	tablecloth	Chicago	10	17
Gaslight Club	tablecloth	Chicago	4	13
Pizzeria Uno	pizza	Chicago	14	11
Blackhawk	dinnerhouses	Chicago	5	8
Nick's Fishmarket	dinnerhouses	Chicago	3	8
Errant Entrprs.	dinnerhouses	Chicago	4	6
Sage's	tablecloth	Chicago	4	6
Indiana				
Big Wheel	dinnerhouses family rests.	Highland	85	40
Noble Roman's	pizza	Bloomington	55	24
Danvers	family rests	Indianapolis	28	20
Michigan				
Little Caesar's	pizza	Framington	210	51
Bill Knapp's	family rests.	Battle Creek	52	49
Chuck & Harolds	dinnerhouses	Detroit	21	—
Sylva	family rests.	Grand Blanc	110	45
C. A. Muer	dinnerhouses	Detroit	21	49
The Clock	family rests.	St. Clair Shores	45	25
Win Schuler	tablecloth	Marshall	9	13
Ohio				
Brown Derby	steakhouses	Cleveland	44	89
Bob Evans	family rests.	Columbus	75	72
Rax	fast food roast beef	Columbus	200	55
LK	family rests.	Marion	127	42
Cassano's	pizza	Dayton	95	40
Kenny King's	family rests.	Cleveland	40	24
Swiss Chalet BBQ	barbecue	Columbus	25	20
Morgan's	family rests.	N. Canton	35	17
Comisar Inc.	tablecloth	Cincinnati	5	8

Source: *NRN research*

New York City gives rise to distinctive local chains

(Continued from page 45)

and territories. Last year, operations were consolidated.

About 200 Blimpie sandwich shops now operate in New York, New Jersey, Georgia, Utah, Idaho, California, Texas, Pennsylvania, Florida, North Carolina, and Washington, D.C. Sales last year were about $50 million, according to Anthony Conza, president.

Blimpie's strategy, according to Conza, is to strengthen operations in existing stores. About 15 units will open this year, all of them in established markets.

To boost its relatively low per-unit sales, Blimpie has been testing several new products, the most successful of which is chili, Conza said.

Chili is supported by point-of-purchase materials and colorful banners hanging outside Blimpie stores. The chain, which has long avoided serving hot food because its original concept did not call for cooking equipment, is also testing french fries.

Conza said the fries are heated in a convection oven, which causes problems. "The company is not totally happy with the product so far."

International Blimpie Corp. plans to concentrate on local and regional advertising efforts this year and several franchisee area advertising cooperatives have been formed. Conza sees the ads as a way of building sales and fighting off increased competition from national fast feeders in New York.

"In spite of the fact that many chains have tried specialty sandwiches, they just don't have the quality," Conza said. "And the large chains don't have as good real estate in New York. But they have the advertising. I don't want to say I'm not concerned, but I do feel we have a strong foothold [in our markets]. If we make the correct moves, and I'm talking about advertising, we should at least hold our own."

A loose grouping of restaurants has been put together by the Ginger Man Group headed by Michael and Patrick O'Neal. The O'Neal brothers operate Ginger Man restaurants in New York, Hollywood and Coconut Grove, Fla., as well as several one-shot concepts on Manhattan's west side near Lincoln Center. The restaurants average about $2 million annual sales each.

O'Neal is one of the developers of a restaurant, cabaret and theater complex in Times Square, near the Broadway theater district.

Of all New York-based chain operators, none are as active as Murray and Irving Riese, the two brothers who head the National Restaurant Corp. The Riese Brothers restaurants operate with more than 20 different names and their concepts seem to come and go with the changing seasons.

Annual sales for the Riese Brothers' some 100 restaurants are believed to be in the $85 million range.

Most of the Riese Brothers' properties are in high-traffic neighborhoods. As soon as unit sales lag, the restaurant is shut down for a change in name and concept.

"People don't understand," Murray Riese told *Nation's Restaurant News*. "It's like theater. It goes in a cycle. If the show goes bad, you don't close the theater. You change the show."

EAST NORTH CENTRAL REGION

Creativity, sensitivity help chains fight slump

(Continued from page 46)

barbecue nights with barbecued chicken and ribs are served.

Big Wheel restaurant, a chain of dissimilar concepts, based in Highland, near Chicago, is also using happy hours and promotions like a 50¢ taco to attract people.

Big Wheel started as a chain of family restaurants 21 years ago. Six years ago, they opened their first theme restaurant called Gold Rush (there are now three), and since then they have opened two Maxwell Sweeneys, five Jeremiah Sweeneys, two Charley Horses, one Carlos Sweeney, a Snaks Fifth Avenue, a Park Avenue Spats, and there's a franchise called Wheel Works. Big Wheel is known as Red Wheel in Illinois.

The concepts at these restaurants vary from an American restaurant to a Mexican restaurant to a lighter food concept. Sandy Levinson, vice president, said the company expanded with different concepts because "in the Chicago market there are lots of suburbs and lots of areas where restaurants could do well. We didn't want to be perceived as another rubber stamp chain."

Although there are different concepts, there are similar menus. As Levinson said, "All the Sweeneys are related."

The latest Sweeney is Carlos which opened last August, in the Stratford Square mall outside Chicago. The average check here is $8.

Unlike other chains, Big Wheel has been expanding with new units. The decision to open a Mexican dinnerhouse was made after Big Wheel determined that Mexican food was well received in its other units and could be profitable because of low food costs. "We started serving Mexican foods four years ago in our other restaurants, and it has done very well," he said.

Carlos Sweeney is one of the chain's larger restaurants with 210 seats. The average is about 160.

Three of Big Wheel's concepts that aren't Sweeneys are also similar. Charley Horse, Snaks Fifth Avenue and Park Avenue Spats have lighter, less expensive menus.

Charley Horse does a big bar business. The average check here is $7.25 with light foods such as burgers and appetizers,

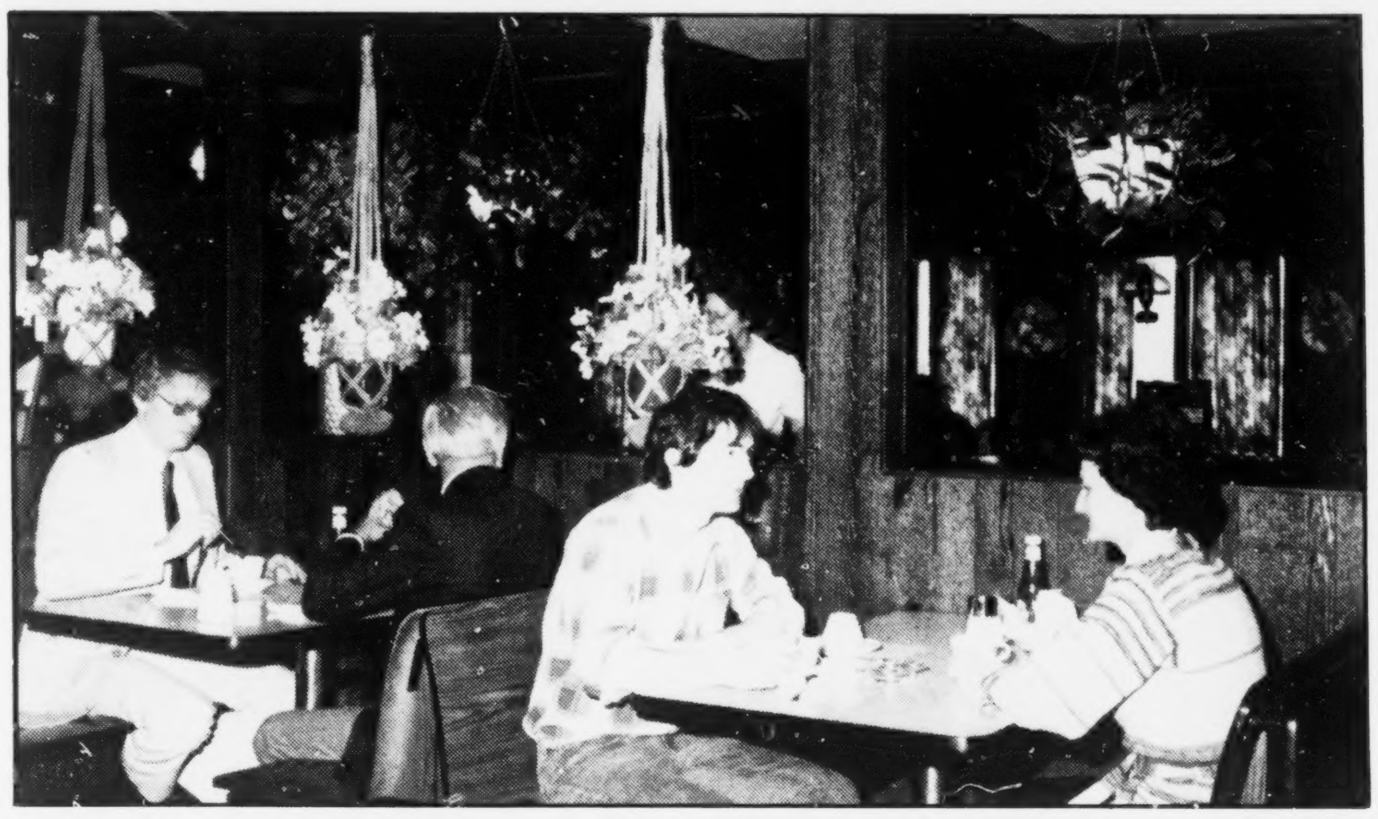
Sales volume for each Big Wheel unit is more than $1 million annually but Levinson, and other restaurateurs in the area, said the severity of the winter has set them back.

"The first weekend of January, we were closed because of the holiday. The other four weekends since we have either had blizzards, wind chills below zero or snow. We are devastated. It's the worst winter ever."

Although Levinson stresses that people won't come out in extreme weather conditions regardless of promotions, he said the chain is trying to bolster itself against economic setbacks.

"We're in the process right now of reviewing our menu. We're looking at the menu mix and putting on things like stir-fried foods. And we're experimenting with pasta although we've found the reception to pasta is mixed. We're also looking at casserole dishes."

"Our goal is to keep our food costs as low as possible" while still serving quality meats, he said. For example, the stir-fried dishes use mixed vegetables with a limited amount of high-quality steak.



L-K restaurants are located in small towns of 5,000 to 40,000 population. Typical units seat 100. Adults are the target market.

Chains also see strengthening internal communications and their ties with their community as vital to survival.

"We're spending a lot more time of training with more staff meetings, more time spent developing controls and more time in the field," Edward Hutchman, vice president of operations for L-K restaurants said.

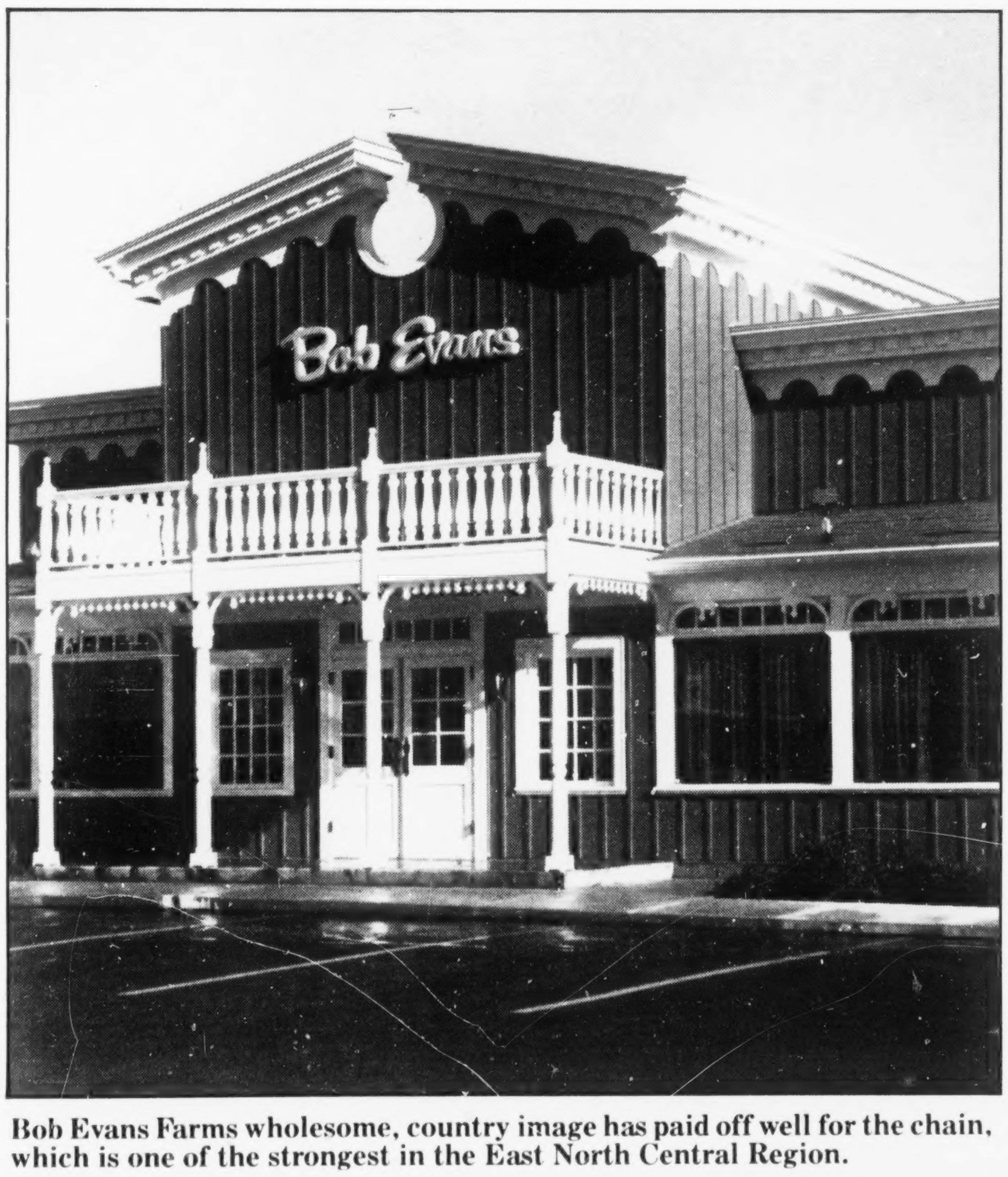
L-K also tries to link itself with its area by hiring local people and asking them to join service clubs, churchs, and become more involved in their neighborhood.

L-K, which has sales of $42 million, has restaurants located in small towns of 5,000 to 40,000 population and a typical restaurant has 100 seats. Adults are their target market and their menu best-seller is perch.

At present, L-K is remodeling one of their units in Marion, Ohio, their headquarters. This unit will have a new menu concept that is eight pages long and includes steaks, seafood and a salad bar. The average check is about $6.

All in all, the chains contacted were extremely conservative and cautious with menu prices. "We selectively lowered prices and raised other prices to cover costs," Hutchman said of L-K.

Restaurateurs also felt there was a need to be flexible. "You have to look at new ideas. Who'd ever thought we'd have a wet burrito on our lunch menu? You have to be adventuresome," Schuler said, adding, "You have to listen to what the customers want," and respond.



Bob Evans Farms wholesome, country image has paid off well for the chain, which is one of the strongest in the East North Central Region.

Bob Evans Farms capitalizes on wholesome country image

COLUMBUS, Ohio—Bob Evans Farms, one of the strongest chains in the east north central region is run by a bunch of slick businessmen in "farm folks" clothing.

"We are all honest farm boys who always get a good night's sleep," Keith P. Bradbury, vice president, treasurer and chief financial officer, once told a reporter. With 77 restaurants in the Midwest and a system sales volume in the last fiscal years of $72 million (up from $58 million the year before) it's not surprising they sleep well.

The 34-year-old sausage-maker and restaurant operator has built its entire image around wholesome country living. The restaurants are decorated with gingham curtains, white gingerbread and bright red colors. And the menu concentrates on country-style cooking with items such as barbecued ribs, smoked sausage, fried mush and country ham. The average check is $5.50.

Dan Evans, chairman and chief executive, believes the company's image has helped it during the tough economic conditions that have hurt their competitors. Evans said customers equate Bob Evans restaurants with high value and enjoy the atmosphere of simplicity and honesty.

Evans doesn't see this image of wholesome food at moderate prices as limiting the chain to a Midwest market. The company will open two new restaurants this year. People from all parts of the country, Evans said, enjoy the country image.

And he's apparently right. Bob Evans Farms, all of which are company-owned, have had an unusually strong showing in the family restaurants/coffee shop segment. Average unit sales of the chain are $1.2 million annually whereas others in the segment such as Denny's, Perkins, and Shoney's are all below the $1 million mark.

The company's sausage business is key to the success of the chain. When founder Bob Evans opened a 12-stool truck stop in 1946, his home-made sausage became a hit and before long he was selling sausage in containers to go.

This venture was followed by a sausage plant (there are now four) and distribution to local food outlets.

(Continued on page 53)

EAST NORTH CENTRAL REGION

Chicago entrepreneurs' concepts cover many diverse market segments

CHICAGO—Entrepreneurs here have developed a series of diverse chain concepts aimed at touching every segment of the market.

The Levy Organization, headed by Mark and Larry Levy, operates 10 restaurants, five of which are in Water Tower Place on North Michigan Avenue.

Arnie Morton has five restaurants and Richard Melman (Lettuce Entertain You) owns eight. Three other restaurateurs operating four restaurants each, are Jim Errant, founder of the Chicago Claim Company; Eugene Sage, with Sage's, Sage's Sage, Eugene's and Arley's, and Don Roth, head of the Blackhawk chain.

Other restaurateurs moving in this direction include George Badonsky, Gordon Sinclair, Bob Nyman and Stuart Johnson.

The restaurant styles range from white tablecloth to fast food. Mark Levy's empire, for example, includes a Mexican restaurant, a delicatessan, a fast-food outlet and a seafood house.

Explaining the diversification of concepts within his chain, Levy said the restaurants were built based on "the needs of the public."

"With five restaurants in one building we couldn't very well go with one concept. So we tried to identify needs," he continued.

The first restaurant, 300-seat D. B. Kaplan's Delicatessan opened in 1976. Levy said he then saw a need for a bar on North Michigan Avenue. "The area needed a real drinking establishment," he said. Thus, Hillary's: a Chicago Bar which seats 135 in the dining room and 85 at the bar.

The next restaurant was conceived after Levy noticed a gap in the fast-food market at Water Tower Place. "There was only one fast-food place [a hamburger chain]. We thought people would like more variety and started Eaternity," he said. This concept is a cafeteria that seats 150.

Chestnut Street Grill, a seafood restaurant, was next. The grill specializes in fresh seafood grilled over Mexican mesquite coals.

Dos Hermanos, a Mexican restaurant, opened last May on the sixth floor. This restaurant seats 100 and offers Americanized Mexican cuisine.

In total, Levy restaurants occupy 30,000 sq. ft. in Water Tower Place. Sales for the group are in excess of $20 million including ventures outside Water Tower.

Concentrating the restaurants in a small area had advantages, Levy said, and offered the group the chance to expand a successful concept outside the mall area. For example, there are D. B. Kaplan's in other cities and a Hillary's in a Chicago suburb. It also helped combine the best elements of existing restaurants to create a new concept.

City Tavern on Chicago's Loop is such a venture. "It's one step up from Hillary's and has a menu made up of entrees from our other restaurants," Levy said.

Another chain with restaurants as diverse in concept as Levy's is Lettuce Entertain You, headed by Richard Melman. From moderately priced restaurants such as R. J. Grunt's, the Great Gritzbe's Flying Food Show, Jonathan's Seafood, Lawrence of Oregano, Fritz That's It and Bones to upscale restaurants like Ambria in the Belden Stratford hotel and the Pump Room at the Ambassador East hotel, the Lettuce Entertain You group operates them all.

Not all Chicago restaurants diversify concepts as much. Jim Errant, for example, has built his $6.5 million enterprise with restaurants with similar but not identical menus. Errant varies his menus according to customer preferences in each market area, paying close attention to what the neighborhood wants.

"Chicago is a very complicated restaurant city. Our customers are probably the most difficult to please. They are demanding in service and in product," he said.

Conventional chains didn't make a mark in the city until about five years ago, Errant said, adding that Chicago is still very much "dominated by independent restaurants and individual concepts."

"When I opened the second Chicago Claim Company, I almost felt like I was copping out by not doing something different. I decided though that I wanted to stick to one concept and do that one thing as well as I could," Errant said.

The Chicago Claim Company restaurants have a western motif that varies from restaurant to restaurant. But even Errant broke the Chicago Claim Company mold with Jasands, a restaurant set in the elegant surroundings of an old mansion with ornate ceilings, oak staircases and round fish tanks.

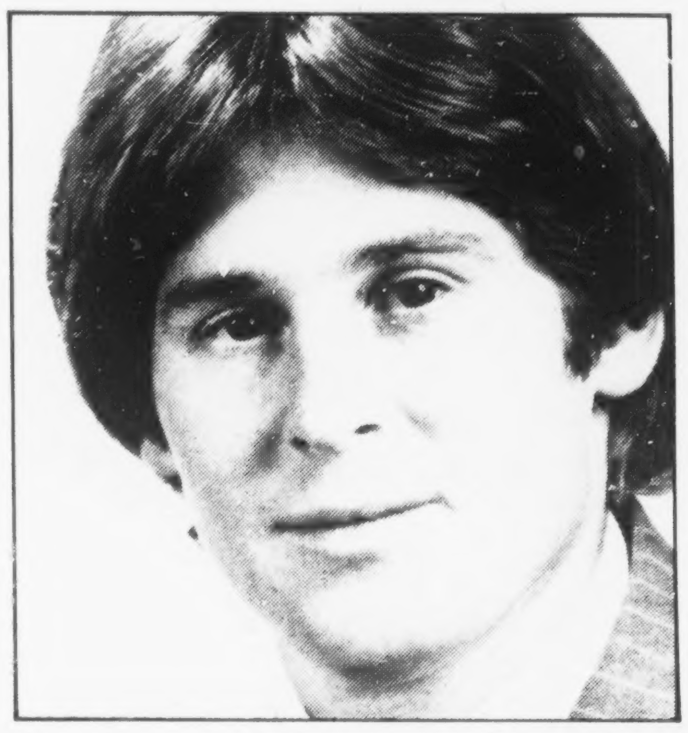
The menus are also similar at Don Roth's Blackhawk restaurant chain. With four restaurants in various parts of the city and suburbs, Roth offers diners menu choices such as bay scallops, King Crab legs, fresh Boston scrod, barbecued ribs and sirloin steaks.

The Blackhawk chain was founded in 1920, by Roth's father and Roth joined the business when his father took ill and has expanded it since.

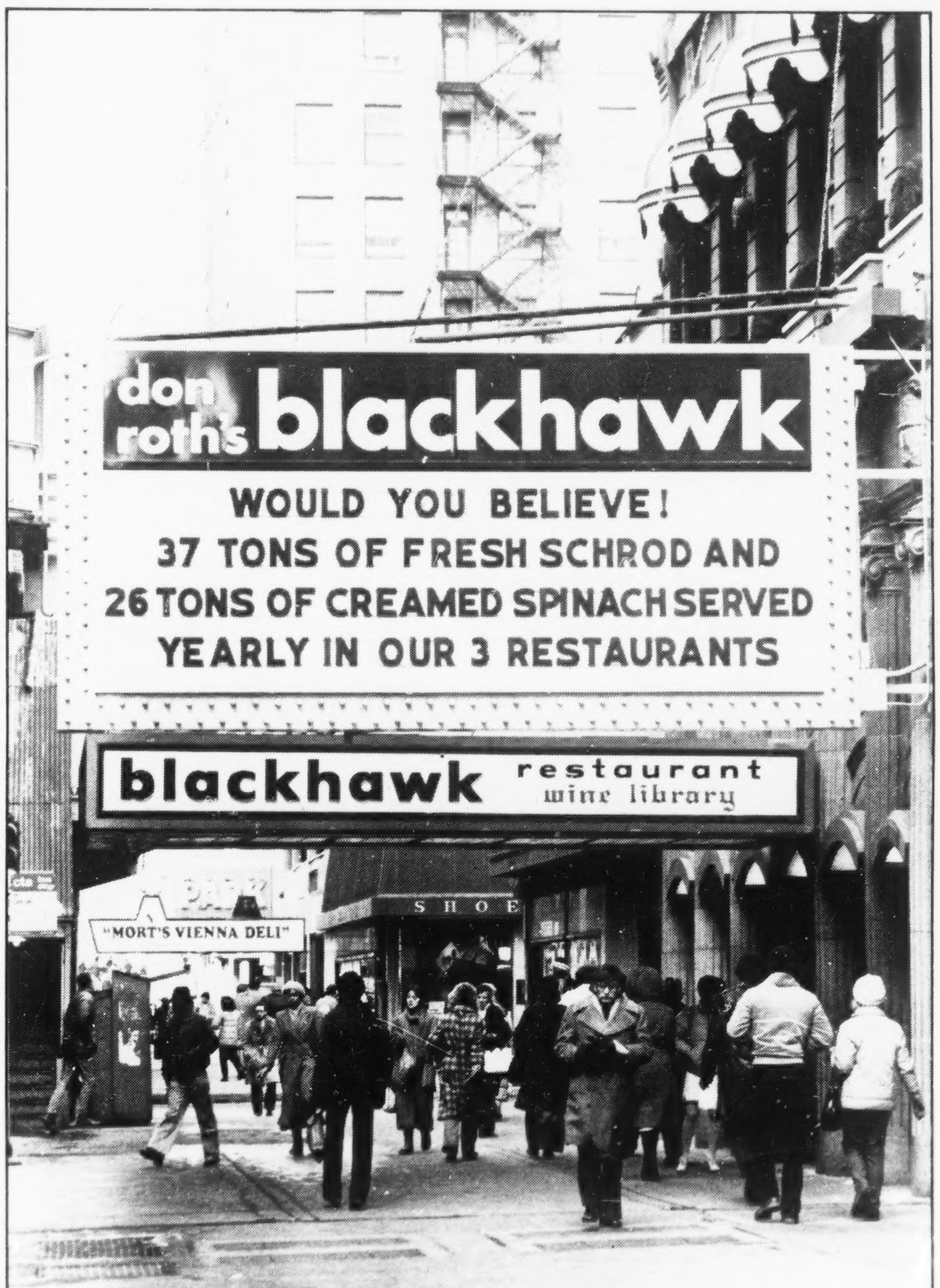
Arnie Morton, like Roth, was also the son of a restaurateur. His father owned Morton's on the city's South Side. Morton also owns Arnie's, Arnie's North and Zorine's and oversees the food and beverage operation as a health complex. The restaurants differ in concept but all have an upbeat atmosphere and look. Arnie's, Morton's and Zorine's are in the same building at 1050 North State St.

As Morton gears his restaurants to Chicago's high rollers and tourists Gene Sage, another entrepreneur, sees the market for his latest restaurant as businessmen.

Sage's Sage is located in a thriving business and residential community. The restaurant is aimed at businesspeople and in one room there are telephones at every table and copies of the Wall Street Journal available.



Jim Errant has built a $6.5 million enterprise in Chicago.


don roth's blackhawk
WOULD YOU BELIEVE!
37 TONS OF FRESH SCHROD AND
26 TONS OF CREAMED SPINACH SERVED
YEARLY IN OUR 3 RESTAURANTS
blackhawk restaurant wine library
"MORT'S VIENNA DELI"
SHOE

Don Roth's Blackhawk restaurant chain was founded in 1920 by Roth's father. There are four restaurants in various parts of the city and suburbs.

Bob Evans Farms maintains image for wholesome country food

(Continued from page 48)

In 1968 the company started a restaurant subsidiary, opened restaurants and has expanded gradually by first going into a new area with extensive sausage, advertising, and about a year later opening a new Bob Evans restaurant.

"When we open the restaurants," Evans once said, "we more or less ride in for free."

The sausage, which is produced in 16 varieties, appears on the restaurant's breakfast, lunch and dinner menus. Evans said the sausage is so popular it is one of the best sellers at dinnertime.

The sausage company and the restaurants are complementary concepts, according to executives who have said the sausage company is a cash generator and the restaurants are cash users. And the growth potential of the chain is hailed by analysts as "tremendous."

The "farm boys" running the highly successful chain say they will continue to expand at their rate and expressed dismay at the financial community's pressures for fast growth. Evans said the tradition of the chain has been and will be restrained growth and disciplined operations.

WEST NORTH CENTRAL REGION

Hot concepts with capital are thriving

NRN Special Report

A host of small fast-food chains make their homes in the plains states of the West North Central region. So, too, do many family restaurants. But the news is certainly of hot concepts: Casa Gallardo is one, Show Biz Pizza another.

Not only do these two represent something that's happening in this heartland region, they also exemplify the video game entertainment and Mexican dinnerhouse trends that are among the strongest fashions influencing the restaurant industry today.

Meanwhile, the region's economy is experiencing healthy growth which should spill over into restaurant sales for these concepts and others.

Though agriculture dominates the West North Central States, big growth this year is expected in mining, defense and service industries.

St. Louis-based Casa Gallardo is the most profitable concept in the $700 million General Mills Restaurant Group.

By Rick Telberg

It takes a startling concept, smooth management and ample financing to develop a chain that can pry cash from recession-weary diners in the West North Central region.

While independent multiunit operators are battling for their lives against the weighty competition of national chains, two key second-tier chains—ShowBiz Pizza Place and Casa Gallardo—are planning to double in size before the year is out.

Both are relying on the professional management and ample financial reserves of their parent corporations to bloom in the Midwest and Southeast.

St. Louis-based Casa Gallardo, a 12-unit Mexican dinnerhouse chain, has been part of the General Mills Restaurant Group since 1979. The Restaurant Group, an Orlando-based holding of the Minneapolis conglomerate, reported $700 million in sales for its 450 restaurants, including the 300-unit Red Lobster seafood dinnerhouse chain, in the fiscal year ended in May 1981.

Shortly after buying Casa Gallardo from its founder, Ramon Gallardo, who remains as president, General Mills built 11 new restaurants in 15 months. With 12 units now, 15 to 20 new ones are planned per year in the Midwest and Southeast.

On a per unit basis, Casa Gallardo is General Mills' most profitable concept. Average annual per unit sales are said to be about $2 million. The profit margin is supported by low food costs, about 25% to 30% of sales, and high alcoholic beverage sales, about 35% of total sales.

The concept easily attracts the prime spending clientele—adult couples, aged 18 to 45.

Casa Gallardo faces competition in the Mexican dinnerhouse segment which is one of the hottest in food service at this time, from a host of contenders, including Acapulco y Los Arcos, which went public last year, GuadalaHarry's, a General Foods holding, Cisco's, a nascent Chart House project, and Chi-Chi's, which more than doubled its size last year to 32 units.

ShowBiz Pizza, the 46-unit chain based on the premise that pinballs and pizza go well together, went a step further, helping found the trend to video game rooms. More than half of a typical ShowBiz Pizza Place's profits come from video games.

ShowBiz Pizza is a subsidiary of the Brock Hotel Corp., a major Holiday Inn franchisee based in Topeka, Kan. Brock reported $111 million in revenues for 1980. The company plans to move to Dallas to better administer its far-flung operations.

ShowBiz Pizza is staking its name on attracting families. While parents relax in a giant-screen television lounge, their youngsters pop quarter after quarter into video games in another room. Meanwhile, they all eat and are entertained by a Disney-like robot stage show and strolling workers dressed like mascots at a football game.

ShowBiz executives hope to see 65 to 70 new company units and 15 to 30 new franchised units built during this year, which averages to a new store opening once every four days. In 1983, executives hope to see franchising take over as the main growth vehicle with 140 franchised units opening and 70 company units opening.

Each unit averages between $1.5 million and $2 million a year in revenues. Food and beverages account for about 68% of sales, games 29%; the remainder comes from merchandise and souvenir sales.

Even with a full-time technician to monitor the games and robots, labor costs run about 25% of sales. Fully 70% of the games revenues fall straight to the bottom line.

ShowBiz Pizza is facing competition from Pizza Time Theater, with which it is involved in litigation over rights to the concept, Bally's Tom Foolery, a unit of the game machine manufacturer, and Straw Hat Pizza, a unit of Saga Corp.

WEST NORTH CENTRAL

Iowa

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Happy Joe's	pizza fast food	Bettendorf	140	$64
Dairy Sweet	fast food	Story City	109	8

Kansas

Taco Tico	tacos fast food	Wichita	159	40
Showbiz Pizza	pizza fast food	Topeka	46	33

Minnesota

Golden Skillet	fast food chicken	Minneapolis	140	60
Carousel Snack Bar	fast food sandwiches	Minneapolis	275	35
Embers	family rests.	St. Paul	28	19
Bridgeman Creameries	family rests.	Minneapolis	55	20
Boston Sea Party	dinnerhouses	Minneapolis	15	17

Missouri

Forum	cafeterias	Kansas City	30	21
Putsch's	cafeterias	Kansas City	15	16
Casa Gallardo	Mexican dinnerhouses	St. Louis	12	13
Pope's	cafeterias	St. Louis	6	8

Source: *NRN research*

NRN FOCUS

SOUTH ATLANTIC REGION

Fried chicken chains eye large market share

NRN Special Report

In the South Atlantic region second tier chains are making a lot of news.

The chicken concepts like Golden Skillet appear as hot and tasty to investors as to consumers.

Meanwhile family steak restaurants like Golden Corral are serving up better results here than in most of the rest of the country.

The region itself is growing rapidly. Gains in disposable income this year will be high—10.8% for the whole region; 13.4% for Florida alone.

Gains in both manufacturing and nonmanufacturing employment are expected for the region as business will continue to be attracted by competitive wage rates, energy costs, transportation availability, tax breaks and population growth.

By Rick Telberg

Fast-food fried chicken chains in the South Atlantic region are racing to grab a share of the market that is projected in coming years for some of the strongest growth in the United States.

With their eyes fixed on the nationwide KFC and Church's chains, firms such as Bojangles and Mrs. Winner's are carving out a niche with a regional favorite—biscuits.

Meanwhile, Golden Skillet and Famous Recipe, both long-dormant, family-controlled chains, were taken over recently by publicly owned corporations which after a fact-finding period should provide even more of a horse race in the South Atlantic.

Chick-fil-A, the strictly mall-oriented white meat chain, and Chicken George, which burst onto the scene recently with high-volume urban stores, are also contending for unique, if demographically opposed, market segments.

Among dinnerhouses, Golden Corral, Quincey's and Darryl's are all expanding at breakneck speed. Tony Roma's, based in Miami, now has outposts in diverse parts of the nation. Detroit-based C. A. Muer Corp. has 21 Chuck & Harold's restaurants, many in Florida. In Atlanta, restaurant groups such as Peasant and G.R.O. are catering to the sophisticated tastes of city dwellers. By all indications, the South Atlantic looks like a good place to do business.

Falling by the wayside are the under-capitalized, independent, multiunit operators who lack the weighty resources of wealthy parent corporations or private bankrollers. These stagnating operations have been unable to adjust their concepts and operations to the new, proud Southern civility.

The fastest growing of the new chicken-and-biscuit chains is Bojangles, which is based in Charlotte, N.C.

Horn & Hardart, the ex-automat operator cum Burger King and Arby's franchisee in New York, bought Bojangles from founder Jack Fulk, a former Hardee's franchisee, last year. This year, Horn & Hardart moved to buy the Judy's chain, based in Nashville, which will add, in one move, 15 units to the 52-unit Bojangles chain. The two deals, accomplished in less than six months, cost Horn & Hardart, which also runs a mail-order house and a hotel-casino, almost $15 million.

Bojangles plans to double the size of the chain this year, building units at a cost of $600,000 each. Average per unit volume for the chain is approximately $1.1 million annually.

Building units at half the cost, with the same menu, is the Mrs. Winner's chain, with 49 units in the Atlanta market. Mrs. Winner's was developed by Nashville-based Volunteer Capital Corp., which was founded by Jack Massey, a former KFC owner and founder of the giant Hospital Corp. of America.

Volunteer Capital is Wendy's largest franchisee but sees in Mrs. Winner's a chance to become a franchisor in its own right. After a year of marketing, Volunteer has sold two territorial franchises—the first, for 17 units in seven years, to ex-Wendy's officials in Columbus, Ohio, and the second, for 15 units in five years, to a Hardee's franchisee in eastern Tennessee.

Volunteer Capital, with M. V. "Buck" Hussung as president, plans on developing two new franchised stores per month after April. In 1983, 25-30 new franchised stores are planned.

Typical Mrs. Winner's are half the size—so half the construction cost—of Bojangles. They also garner half the sales of a Bojangles, but Volunteer has rolled out plans for a larger, 100-seat unit that they say will boost sales to $1 million per unit annually.

Franchisees in the Golden Skillet and Famous Recipe chains greeted the news of their chains' takeovers with exuberance. "Don't get in our way, we're going to go like gangbusters," said a Famous Recipe franchisee, but it might as well have been a Golden Skillet franchisee.

The 140-United States-unit Golden Skillet chain was taken over by International Dairy Queen late last year and its headquarters promptly moved from Richmond, to Dairy Queen's

(Continued on page 76)

Bojangles is one of several Southern chains which is holding up well against competition from nationwide firms.

SOUTH ATLANTIC

Florida

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Wuv's	fast food burgers	Fort Lauderdale	130	$60
Benihana	dinnerhouses	Miami	48	60
Tony Roma's	dinnerhouses	Miami	25	50
Hardwick	tablecloth	Miami	15	28
Black Angus Systems	family rests.	N. Miami	10	19
Hot Sam	fast food sandwiches	Tampa	150	17
New England Oyster House	dinnerhouse	Dania	17	13

Georgia

Waffle House	family rests.	Tucker	422	114
Chick-fil-a	fast food chicken	Hapeville	237	110
Davis Bros.	cafeterias	Atlanta	35	25
Huddle House	family rests.	Decatur	85	18
Peasant Inc.	tablecloth	Atlanta	8	14
Tater Junction	fast food (potato)	Marietta	42	12
G.R.O.	dinnerhouses	Atlanta	6	9

North Carolina

Golden Corral	steakhouses	Raleigh	185	108
Krispy Kreme	fast food doughnuts	Winston-Salem	140	45
Bojangles	fast food chicken & biscuits	Charlotte	52	40
Darryl's	dinnerhouses	Raleigh	17	30
High's Ice Cream	family rests.	Winston-Salem	40	12
Canton Station	dinnerhouses	Rocky Mount	6	5

South Carolina

Quincy's	steakhouses	Spartanburg	100	71

Virginia

Dankos	family rests.	Richmond	8	9

Maryland

White Coffee Pot	family rests.	Baltimore	44	25
Chicken George	fast food chicken	Baltimore	8	14
Pappy's	family rests.	Towson	28	13

Source: *NRN research*

NRN FOCUS

EAST SOUTH CENTRAL REGION

Regional concepts work for Southern chains

NRN Special Report

Southern hospitality is evident in the East South Central region and to some extent may be a driving force behind second-tier chains of the area.

Free iced tea refills at Mr. Gatti's, "dress-it-yourself" sandwiches at Danver's, and other evidences of a hospitality mentality are present in all the restaurants of the region.

The outlook in this area for the last three quarters of 1982 is good. The National Restaurant Association predicts eating place sales for the year of $4.5 billion, a 10.7% jump from last year.

A number of new jobs in non-manufacturing areas is expected to provide a strong boost to disposable personal income.

The area's one possible general economic problem is its vulnerability to downturns in important cyclically sensitive industries—textiles, apparel, housing.

By Donald Frazier

While national food-service companies and their well-proven concepts continue to invade new markets in this part of the country, a few smaller chains based here are holding out against the newcomers.

Some of them—Jack's, Danvers and Southern Hospitality—have outflanked the well-financed competition from the North with uniquely Southern concepts and a loyal group of customers.

Other's, such as Mr. Gatti's and Chi-Chi's, introduced this region to the Mexican and Italian food trends, and are now taking on national competition in other markets.

One of them—Truckstops of America—finds its nationwide business insulates it against the fluctuations between various regions' business climates.

A proven concept and access to national capital markets have allowed these and other lucky operators to avoid the fate of the region's several small chains which have fallen by the wayside in recent years.

The Birmingham, Ala.-based Omelet Shoppes, for example, had declared bankruptcy and was on the verge of liquidation. But the company was saved by an infusion of corporate capital from outside and a return to original concept of fast countertop service and high perceived value for low prices (see sidebar).

Future Bright

The diversity of the area's economy also helps many operators hold onto their traditional customer base. Unlike that of the hard-pressed Great Lakes region, this area's payroll does not depend on a few massive-but-struggling industries in older cities. The economy here is widely spread between heavy and light industry in centers such as Birmingham, the white-collar service sector in distribution hubs such as Nashville, high-tech research in Huntsville, Ala., and Oak Ridge, Tenn., and agriculture everyplace else.

When one sector falters, others take up the slack. People don't stay out of work very long. They keep their buying power.

"There's no doubt about it," declares Wayne Oldham, "Times *are* bad." As president of Southern Hospitality, the Nashville-based diversified restaurant company, he is both an independent restaurateur and a major franchisee for both Wendy's and Mr. Gatti's regional chain of pizzerias. For him, the silver lining of the current economic malaise is that so many independent restaurants are closing that he feels less competition every day.

His 21 Wendy's units throughout central Tennessee now take in more than $15,000 a week and sales for his 12 Mr. Gatti's units have now topped $10,500 a week, both figures apparently higher than national averages for these chains. But Oldham places much of his hope for future development in larger single-unit concepts, such as his 11,000-sq.-ft. Fishery in Nashville, which took in about $2.5 million during 1981; and his new casual-theme establishment in Nashville, Tempos, also expected to achieve a volume of $2.5 million during its first full year of operation.

Intensive training of managers, he feels is even more important in days of economic decline than ever before. The new importance of return on investment has made the manager's job more complex, he says, but adds that more operators who are looking to cut costs curtail training first.

He also pays his managers "above the market" to retain their expertise in an economic climate where many seasoned managers must move out of the industry to increase their income.

This approach to hard economic times—to continue to invest, despite the economy—has given Southern Hospitality an increase in sales adjusted for price increases of 10% to $33 million during the last year.

Another Birmingham-based group, Jack's Food Systems, withstood both the recent onslaught of national competition and their city's current 11% unemployment rate to increase sales 16% to $35.1 million last year.

The Jack's fast-food units, including 18 franchised operations are moving into the breakfast hours, where a biscuit-oriented menu and its average ticket of $1.35 already accounts for 18% of sales.

Most of its lunch and dinner business continues to be hamburgers, although fried chicken sales constitute an increasing share of the dinner market, now about 20%. The check averages for lunch and dinner are holding steady at about $3 per person.

The company owes its present sound position to last year's halt of expansion, aggressive marketing of its name among old-time customers and markets, and its ability to finance capital improvement, its

(Continued on page 63)

EAST SOUTH CENTRAL

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Alabama				
Pasquale	fast food pizza	Birmingham	265	$45
Omelette Shoppes	family rests.	Birmingham	103	35
Jack's	fast food burgers	Birmingham	74	25
Kentucky				
Mr. Gatti's	fast food pizza	Louisville	245	90
Chi-Chi's	dinnerhouses	Louisville	47	30
Mississippi				
Coleman	fast food	Coldwater	125	26
Tennessee				
Volunteer Capital	fast food chicken, burgers	Brentwood	144	75
Southern Hospitality	fast food family rests.	Nashville	38	30
Truckstops of America	family rests.	Nashville	33	26
Danvers	fast food burgers	Memphis	44	19

Source: *NRN research*

Omelet Shoppe's revival based on return to basics

BIRMINGHAM, Ala.—With a Chapter XI petition in bankruptcy court, outstanding debts of over $1 million and a franchisee system in open revolt, things were not looking good for Omelet Shoppe a year ago.

The 103-unit chain, one of the first successful regional franchisors in the South, was headed toward liquidation court. One by one, its disgruntled franchisees were taking down its name from their stores. Its future: oblivion.

But the year-long hemorrhage has stopped for Omelet Shoppe. Its new repayment plan has been approved by a vast majority of its creditors. And during January and December, the restaurants actually made a profit on a cash-flow basis.

What happened?

According to John Whittington, the trustee appointed by the court to oversee Omelet Shoppe's finances in the wake of its bankruptcy proceedings, many things contributed to the apparent resuscitation of the company.

Taken together, they provide an example of how a new, hard-nosed management team, an infusion of capital, careful cost-cutting—plus a return to the fundamentals of a concept's appeal—can take a terminal case off the operating table and nurse it back to life.

The reasons the chain started to fall apart in the late 1970's are cause for debate, but most agree on one thing: management lost sight of the restaurant's position in the market. Originally involving a limited menu of simple-but-good food quickly prepared in clean stores, for low prices, the Omelet Shoppe concept appealed to the homespun, value-conscious side of this essentially rural part of the country.

But in the late 1970's, spurred by the economic vitality of the 'New South,' management gussied up the Omelet Shoppe concept. The menu was broadened to include items foreign to the original concept, such as fried chicken and steaks. Meanwhile, Whittington said, they apparently lost control of quality, sanitation and costs.

The boom fell in February 1980, when the company filed a voluntary Chapter XI petition for the reorganization of its debts. Under the court's feeling that the company could best handle its own affairs, it was deemed a "debtor in possession," and lost almost $1 million by November. During this time, one of

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EAST SOUTH CENTRAL REGION

Success tied to proven concepts, diverse economy, access to capital

(Continued from page 58)

president says.

Don Ghareeb stressed the importance of smaller chains having long-time personal connections with their bankers to give their companies an edge in the competition for funds.

After a recent 'shakeout' period when the system closed five or six unprofitable units a year, it is now back on the expansion path. Twelve new units were added last year; 12 more are planned for this year.

Access to financing for capital improvement and expansion is also very important for Mr. Gatti's, a pizza-and-pasta chain based in Louisville, Ky., but operating in Texas, Louisiana, Oklahoma, Mississippi and Florida.

A spokesman for the 245-unit company, conceding that a regional chain such as Mr. Gatti's probably could not secure adequate financing on its own in today's tough money market, reports that its parent company, the LDB Corporation, has established a $7 million credit line for the chain's use.

This allowed the company to add 45 units during the last year, increase its total sales 23% to $91.7 million and plan 60 new units—including 10 company stores—for the next year.

The high perceived value of an Italian-type menu in most of Mr. Gatti's markets, the absence of indigenous competition and the marketing blunders of the national chains allowed the chain to pass along its price increases last year and still increase customer counts, the spokesman says.

Another ethnic chain based here has already entered the national market and is taking on several of its leaders in head-to-head competition. That company is the Louisville-based mystery chain of the Mexican dinnerhouse segment, Chi-Chi's.

Although the company wants to cloak itself in secrecy, few industry insiders have failed to notice its phenomenal growth over the last few years. It now numbers 48 units, in locations as diverse as suburban Dallas, the rural fringe of Cincinnati and even the trendy and urbane Harvard Square area of Cambridge, Mass.

Chi-Chi's doubled its size in the last year, according to sources inside the company. This growth is split evenly between company stores and franchised ones. The chain is thus apparently the first member of the burgeoning Mexican dinnerhouse segment to realize the concept's well-publicized potential for franchising in a significant way.

Other sources inside the company claim more than 18 Chi-Chi's will be built during the next year.

Their success apparently results from the same factors that have led to the concept's explosive growth in the last few years. Low food costs of about 27%, a large seating capacity of about 270, a fast turnover time of about an hour and—most importantly—the high perceived value of a heaping plateful of food for a moderate price have given the average Chi-Chi's annual sales of about $2 million and a growth rate of about 15%.

But Chi-Chi's is different from its competitors such as Casa Gallardo and El Torito. Its bright, open floor plan lends the restaurants more to a family trade than for the vaguely single-oriented high liquor percentage crowd desired by the other concepts. Its menu is even blander than that of the usual Midwesternized Mexican-style restaurant and its unit management style is unusually brisk.

Don Ghareeb
Jack's president

These factors, plus president Shelly Frank's many years of experience in the industry, may explain why the Chi-Chi's restaurants successfully snare a portion of the dining public's ever-shrinking disposable income, even in economically declining areas such as the Midwest.

"It's value-consciousness," one Chi-Chi's manager explains. "Once the kitchen gets the formula down, there's really nothing to making the food—no effort, no waste. The ingredients are all cheap. But all the customer sees is a heaping plate of food which he perceives as something really special."

Truckstops of America, although based in the region's transportation hub, Nashville, is really a national company with 28 truckstops spread across the country's interstate highway system. The chain's average per unit sales was $1.2 million last year, a figure that does not reflect the company's great diversity of size in units.

'Times *are* bad,' says Wayne Oldham, president, Southern Hospitality.

Despite its far-flung nature, the homogeneity of much transcontinental truck traffic allows Truckstops of America to orient its marketing efforts to its customers with precision. Some units experience a relatively strong local trade, but most see the same customers all the time, all over the country.

The company, reports marketing executive John Cicatelli, is now in the midst of a major revamping of its image and appeal. The goal of this campaign is apparently to make the restaurants a major "draw" to truckers and thus enhance the company's $300-million-plus sales of diesel fuel.

Cicatelli says the company hopes this upgrading of its facilities will help it increase food-service sales 17% from last year's figure of about $23 million.

New management steers Omelet Shoppe back to basics

(Continued from page 58)

Omelet Shoppes' banks called in a $1.3 million note.

In the ensuing power struggle among the company's officers, president Billy Bob Ingram was forced out. Eventually the rest of management jumped ship, too. More creditors petitioned the court for repayment, leading to the appointment of a trustee.

"At the time I was appointed," Whittington recalled, "the company was, in my opinion, in bad shape. It was providing no service to its franchisees and was receiving no royalties. It had no operations management personnel and was being run, essentially, by the clerks."

Under the leadership of a food-service entrepreneur, Sam McMahon, who became president in December 1980, and controlled the company's stock until August 1981, the company stopped losing money. McMahon, according to Whittington, reduced overhead and paid the company's ongoing bills before or soon after the due date: something which had not happened at Omelet Shoppe for some time.

But the pair soon parted ways, Whittington said, because "his goals were not compatible with mine. I wanted the company to start to pay off some of its creditors." McMahon could not be reached for comment on this.

After trying unsuccessfully to liquidate the company, Whittington sold its stock to Commonwealth of Virginia, which assumed control of the company and signed a management contract with Whittington in August last year.

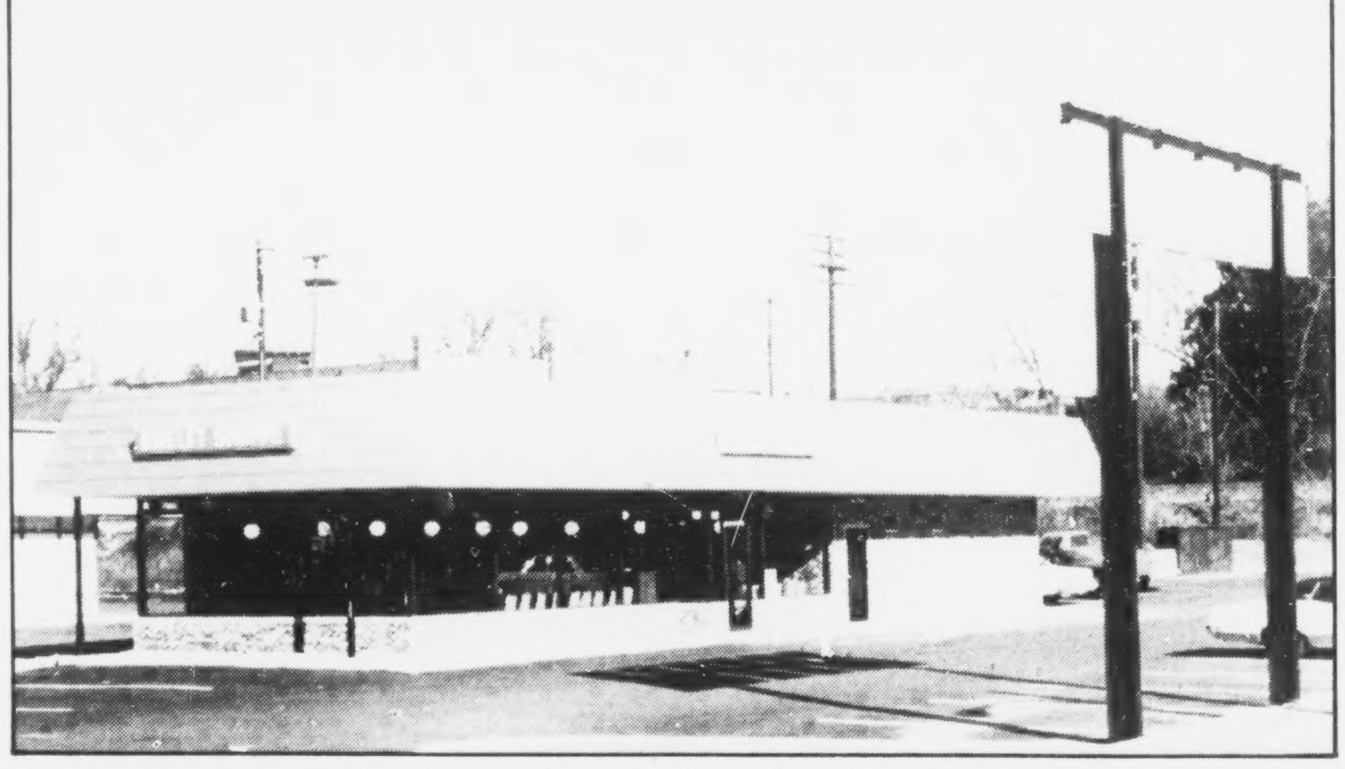
"This group," he reported, "has made substantial strides toward rehabilitating the company."

Under the direction of Mike Tingle, Commonwealth's manager in Omelet Shoppes, the company has closed down unprofitable stores, sharply cut back expenses and imposed a strict management training program. It has upgraded many of the units, paying for this with what Whittington terms a "substantial capital injection" from the hefty resources of the parent company.

It also made peace with the franchisees. It advised them that all royalties are suspended indefinitely, until the company is back on its feet again and the home office is in a position to offer services, and a new contract to its surviving franchisees.

But most importantly, it restored the original menu and concept—and prices—of the Omelet Shoppe. Whittington said that this could be the key to the chain's future in a region where reductions in disposable income are felt first by the restaurant business, rendering high perceived value a must.

The results aren't in yet. Before the Commonwealth takeover, the store's total sales consistently fell under $500 a day. Now, Whittington expects many units to turn a volume of $500,000 for 1982.



Under new ownership, the problem-plagued Omelet Shoppe chain seems to have turned around its fortunes.

WEST SOUTH CENTRAL REGION

Mexican food predominates; other concepts also prosper

NRN Special Report

It seems impossible to saturate the states of the West South Central area with too many Mexican restaurants.

The region is definitely a growing Mexican food territory for the second tier chain group, from fast feeders, to cafeterias, to dinnerhouses.

Making the region healthy for the likes of Casa Bonita, Monterrey House and others is an ongoing regional boom, based on continuing heavy population growth and the concentration of energy-related industry here. Younger people, especially, are moving to Texas and adjacent states to take advantage of employment opportunities.

The National Restaurant Association says the region's eating place sales will rise almost $1.2 billion this year to a $10 billion total. Texas alone will post a 14.1% jump to $7 billion.

By Don Frazier

Flush times make this oil-rich stretch of the Sunbelt fertile ground for the mammoth national chains, but they also allow room for a few regional companies to hone their concepts and prosper.

It's no use competing with the burger, chicken or coffee shop powerhouses in Texas, Louisiana or Oklahoma—they're all here in force. So Luther's Barbeque, Grandy's Country Cookin', Casa Bonita and the Brennan family's restaurants have taken another tack. They have refined four uniquely local concepts and hope to flourish as this part of the country comes to resemble the rest of the nation.

In the wide-open entrepreneurial spirit which prevails here, a promise is as good as a deed and Luther's is as good as a success. Surely Luther's shows great promise. The barbecue chain, now 11 units strong, has been poised for rapid expansion since its acquisition by Chart House, which hopes to use it as a franchise vehicle.

The company, now wholly owned by (but independent from) its parent in Lafayette, La., has now set up shop in Houston where several of its units are now located.

Offering a range of barbecued items from ribs and beef to hamburgers, Luther's hopes to be the first operator in the country whose production process allows fast service and preparation of barbecue in quantity. Its ambience is rustic, its service line is cafeteria-style and its prices are low: about $3.80 per person.

The strength of the Luther's concept, according to Chart House president Robert Luckey, lies in the fact that ribs and other barbecue items now have a great unfulfilled demand throughout the South. People grew up with them, but they cannot get them in a restaurant setting because rib parlors tend to be in the black inner cities which whites avoid.

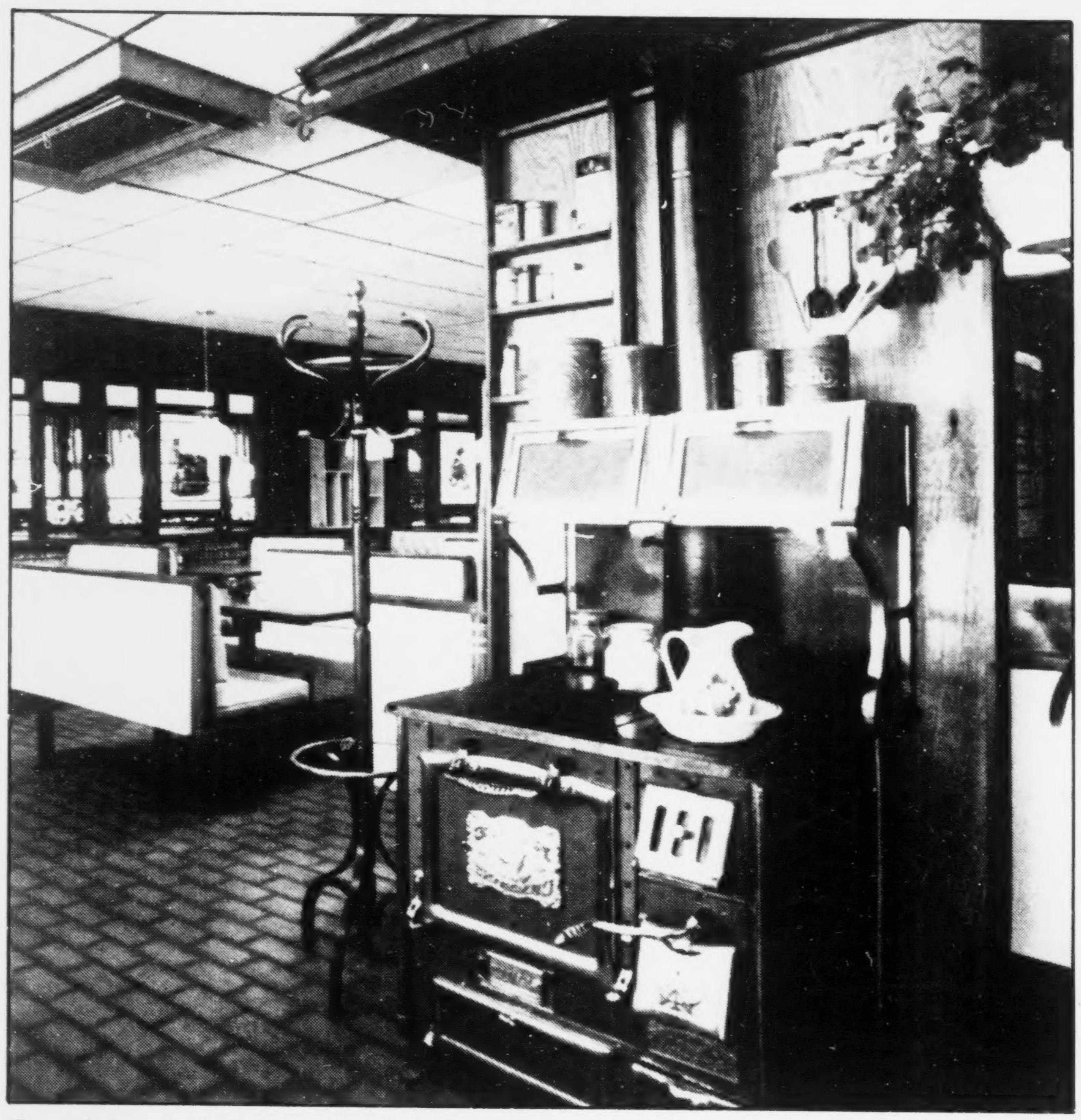
Meanwhile, no food-service companies other than Luther's were addressing themselves to this unfulfilled market.

If the performance of the new Luther's unit in Houston is a reliable predictor, these people will file into the first Luther's they see. The restaurant, Luther's executive vice president Mike Blackman said, is now posting sales of more than $6,000 a week and had to expand its hours to accommodate the crowds.

The company is now devising a breakfast program, which will probably serve biscuits and gravy—other items which are popular in this region, but would not occur to the product development division of a major national chain.

The Luther's staff, headed by president Roger Kisiel, is now inspecting sites for potential franchisees because, as Blackman says, "at this stage of the game we care more about establishing a favorable image than anything else."

To convince these applicants to invest in the Luther's concept, the extent restaurants must show a record of earnings significant enough to offset the high interest rates which a franchisee will incur in today's economy. So far their average annual sales per unit exceeds $1.3 million. But one restaurant group here doesn't worry about franchising—its all in the family.



Grandy's relaxed 'home-style' atmosphere is one of many regional concepts which are giving the national chains a run for their money.

That group is the three restaurants owned and operated by the branch of the Brennan family which runs Commander's Palace in New Orleans.

A rift in expansion policy caused these, the 'uptown' Brennan's, to break away from their cousins who still run Brennan's restaurant in the French Quarter.

Soon after establishing Commander's Palace in 1969, the rebel faction opened restaurants in Dallas, Houston and Atlanta. It recently added another New Orleans restaurant, Mr. B's Bistro, to the crowded French Quarter market, right up the street from Brennan's.

But this embryonic chain of restaurants was nipped in the bud last year when the Atlanta restaurant was sold; the Dallas restaurant had been sold previously.

The reason, according to Dick Brennan, has nothing to do with profitability: both restaurants were, by all reports, doing well. They were sold, he says, because none of the members of the family wanted to live in either of these cities to run the restaurants. Rather than trust them to outsiders, the Brennans sold them.

The surviving three restaurants take in more than $10 million a year. They do this by offering traditional New Orleans-style Creole fare amid surroundings rich in local atmosphere. At Commander's Palace, this means the candlelit, wallpapered and bough-shrouded elegance of the Old South and an average ticket of $23; at Mr. B's Bistro, it means the informality of a French Quarter barroom and an average ticket of about $15. Unlike most New Orleans restaurants, they make a point of brisk service and a fast-table turnover.

Farther west, another regional chain is apparently squeezed hard by new national competition and an aging concept. It is Casa Bonita, the Dallas-based operator of "about 55" Taco Bueno fast-food outlets, four Casa Bonita Mexican-style cafeterias and eight Crystal's Pizza and Spa-

(Continued on page 66)

WEST SOUTH CENTRAL

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Louisiana				
Commander's Palace	tablecloth	New Orleans	3	$10
Oklahoma				
Ken's	fast food pizza	Tulsa	200	50
Texas				
El Chico	Mexican dinnerhouses	Dallas	110	75
Monterey House	Mexican dinnerhouses	Houston	90	60
Grandy's	fast food chicken	Lewisvile	65	60
Casa Bonita	Mexican dinnerhouses	Dallas	75	45
Ron's	fast food chicken	Houston	105	35
Frontier	dinnerhouses family rests.	San Antonio	20	30
Taco Plaza	fast food tacos	Hurst	75	17
Pelican's	dinnerhouses	Dallas	20	15
Gallagher's	dinnerhouses	Houston	14	—
Luther's	barbecue	Houston	11	9
Old San Francisco	Mexican dinnerhouse	San Antonio	3	6
Felix	Mexican dinnerhouse	Houston	8	5

Source: *NRN research*

MOUNTAIN REGION

Innovators score with creative merchandising

NRN Special Report

Mountain region states are paced by second tier dinnerhouse and specialty restaurant operations in Denver and Phoenix and many Mexican and other small fast feeders through the rest of the area.

The region is growing rapidly and for the most part exuding economic health. Mineral exploitation, defense projects and widespread new construction are the impetus to growth in employment and disposable personal income.

Disposable personal income is forecast to rise 13.2% in the region in 1982. A beneficial operating environment for second tier and other restaurants can definitely be expected.

By Susan Spedalle

PHOENIX—Four innovative chains based here are among the region's standouts.

These four are merchandising-oriented Big Four Restaurants, Cafe Casino, Bobby McGee's and Swensen's.

Big Four Restaurants have made their mark with their marketing efforts. They just completed a beer promotion that has increased liquor sales by $15,000 a month since the promotion began.

The Big Four Restaurant Corp. is run by three friends who grew up together in Arizona and made a name for themselves with their first restaurant, The Lunt Avenue Marble Club. The Marble Club's philosophy is to give large portions for reasonably low prices (the average check at dinner is $7) in a relaxed environment of fern plants and brass railings. Based on the success of the two Marble Club units, the $17 million company opened two Mexican dinnerhouses called Willie and Guillermo's with the same philosophy and similar average check.

About a year ago, the company opened a more upscale unit called Oscar Taylor's, which included an on-premise bakery and butcher shop. A hybrid Oscar Taylor's/Lunt Avenue Marble Club will open in an upscale mall in San Francisco this year.

As the Big Four Restaurant group grew to nine units, the customer mix of 25- to 54-year-olds with discretionary income might have been lured away by the competition: national specialty restaurant chains such as Houlihan's or Bennigans.

Big Four has been able to hold on to its clientele by "not overreacting," says director of marketing Steve Stein.

"A smart customer can perceive things," says Stein "and we have to be confident enough and proud enough not to imitate others. We have to show customers that we are not going to change to be like the others and we don't want to be confused with them."

By sticking to their own ways and not becoming a "me, too" operation, Big Four says they have been able to capture a loyal customer following.

At Cafe Casino in Phoenix, director of marketing Ed Wilson says that the chain's position has led to "a virtually competition-less niche."

Cafe Casino, owned by a French company, Etablissements du Casino de France, is an upscale cafeteria that serves traditional French food for cafeteria prices. In its four Southwest units, up to 70 entrees, 50 salads, soups and 55 pastries are offered at one time. The Art Nouveau decor and buffet style combine to create a setting that is an alternative to the high priced, haute cuisine restaurants in the area.

There are currently four locations: on Wilshire Boulevard in Beverly Hills, Calif.; in Scottsdale, Ariz., and in Westwood, Calif.—the units always go into affluent areas.

Three new restaurants are planned for 1982.

"We've got a great appeal to those customers who are making $25,000 or more, white collar workers," says Wilson. "We have a high number of repeat customers and business is good despite everyone's decline in traffic."

One of the new units will be in Seattle, the first time Cafe Casino has gone out of the prosperous "Sunbelt" states. The store will give the company some idea how the concept goes over in areas outside the Southwest.

Swensen's ice cream "is in the rich tradition of San Francisco, as much a part of [the city] as cable cars and Victorian homes . . ." says the company's franchise prospectus.

The Swensen's corporation can be divided into two camps: the skeletal dip stores which receive already-made ice cream and the Ice Cream Factory's that make all ice cream on premises, serve ice cream concoctions, sandwiches and burgers and are large units decorated with stamped tin ceilings, setees, Tiffany lamps and marble-topped tables.

In this league, Swensen's vice president of marketing Lawrence Wilson says, the chain has no equal.

"No one else has really captured the feeling of an old time soda fountain," says Wilson.

Since their 1980 acquisition by Phoenix-based Red River Resources, the company has made an attempt to buy back territorial rights from franchises, both in areas where the units have been built and also the unexplored areas of the East and Midwest where they feel they can compete successfully for the ice cream parlor market. Sixty per cent of the new stores they are looking to open will be the larger soda fountain units.

The dip stores, which face heavy competition from the likes of Haagen-Dazs and Baskin-Robbins, will account for 40% of new growth. They currently number only about 80 of the chain's 320 stores.

A $37 million company headquartered in Phoenix, Bobby McGee's

(Continued on page 68)

MOUNTAIN

Arizona

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Swensen's	family rests.	Phoenix	300	$75
Village Inn	family rests.	Scottsdale	165	50
Bobby McGee's	dinnerhouses	Phoenix	17	35
Big Four	dinnerhouses	Tempe	10	20
The Salad Bar	dinnerhouses	Scottsdale	110	16
Cafe Casino	French cafeterias	Scottsdale	6	9

Utah

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Spudnuts	fast food	Salt Lake City	85	50

Source: *NRN research*

Unique local concepts allow smaller chains to prosper

(Continued from page 64)

ghetti restaurants, all located mainly here in the Southwest.

Casa Bonita had posted encouraging successes 10 years ago as one of the first companies to serve Mexican-style food in fast-food format. It also gained a great deal of attention—and customers—for the unusual performances in its four massive cafeterias, such as cliff-diving, gunfights and the antics of actors wearing gorilla suits.

The Casa Bonita concept's great popularity in its four locations—which are Dallas, Denver, Little Rock, Ark., and Tulsa, Okla., according to its vice president James Rogers—apparently played a major role in convincing the massive British food-processing concern, Unigate, to acquire the company for $32.5 million last fall.

But according to industry sources, the flamboyant concept may have passed its prime. "It's great the first time you see it," explained one former management employee of a Casa Bonita restaurant, "But after you see it once, there's nothing left. No reason to go back. The food is forgetable: what do you expect of a restaurant that serves more than a million meals a year?"

For their part, officers of the company want to wrap its recent performance in secrecy, refusing to comment on these charges. The company posted a profit of $3 million for its last fiscal year. Although Rogers did not dispute an estimate of $65 million for annual sales, the financial press in Dallas claims the actual figure is closer to $50 million.

Traffic Decline

Meanwhile the Taco Bueno units, according to Wall Street analysts of Mexican-style fast-food companies, are beginning to suffer from declining customer counts as competition heats up in their primary market area. The units are thinly spread between Dallas, Houston, Fort Worth, Denver and other cities, rendering effective penetration of any one market difficult.

But the healthy economy of the region, plus the chain's long history, are expected to buoy its operations at least until management can devise appropriate strategies to deal with its reported difficulties of late.

Another Dallas-area company, Grandy's Country Cookin', has developed a concept serving country-style food in an upscale 140-seat sit-down fast-food environment.

The company, said president Ed Johnson, hopes to take on other chains such as Bojangles, Mrs. Winner's and Sister's who have also begun the reach for the emerging market in fried chicken and biscuits. "There's a big demand for this—everybody knows and likes the product—but there's a real lack of professional chicken concepts."

Johnson expects his concept to outflank the others because his menu is broader, including country-fried steak and a full biscuit-and-gravy with sausage breakfast, many of its items are prepared from scratch in the unit, the unit design boasts a drive-up window to attract the many fried chicken fans who think the item is for take out only, and the average check per person is a moderate $2.70.

Company-owned

All 13 of the company-owned Grandy's units are in Texas, but the 50 franchised units reach into 11 states from Oklahoma to Nevada to Florida. Johnson said that the same quality-control apparatus patrols both franchised and company stores, ensuring consistency of its product.

Although the chicken-and-biscuit concept is apparently just now coming into its own, Grandy's started to develop its unit and its procedures four years ago. The R&D stage took so long, Johnson said, because the company wanted a concept which could make a relatively broad and hard-to-prepare menu accessible to franchisees and easy to execute.

PACIFIC REGION

California: fertile ground for 2nd tier chains

NRN Special Report

The Pacific region dominated by California has long been known as the place to look for what will happen next to the rest of the country.

If true, then special attention should be given to the region's growing number of second tier seafood specialty chains, upgraded hamburger concepts and Mexican dinnerhouses and fast-food restaurants.

These concepts, along with the West Coast's perennially strong family restaurants, will continue in the months to come to reap benefits of above average gains in employment and income.

Strong growth is seen in high technology computer and electronic component industries and in defense related sectors.

Hawaii's tourist-dependent economy will continue to have slower economic growth than other states in the region.

For the region as a whole, however, strong consumer spending is expected as the year rolls along.

By Jim Storey

LOS ANGELES—As far as many California restaurant chain operators are concerned, food-service innovation begins at the Pacific Ocean and heads east. Rarely, they will tell you, does it happen any other way.

While strong regional chains in other parts of the country may tend to disagree with such a statement, they would be hard-pressed to deny that California has a comparatively large share of successful second-tier chains.

Certainly the state's size is a primary reason for the large number of chains. With 23.9 million residents, California ranks first in population for the nation. In geographical area, it is third behind Alaska and Texas.

But there are other important ingredients. Some say it is the year-round mild climate that makes the restaurant environment so fertile. Others point to the state's recession-resistant economy. Recession-related problems tend to reach California last and with less adverse impact, operators say.

"It's like we have our own little economy out here," notes Eric Ward, president of C & C Services which operates 26 Cask 'n Cleaver steakhouses as well as two other dinnerhouse concepts.

Although standouts in the state are many, operators nevertheless describe the environment as extremely competitive. Innovation, they say, is a necessity for survival.

Nowhere is the competition more readily apparent than in the coffee shop segment. Not only are the big nationals, Denny's and Sambo's, based in the state, but a number of second-tier chains also compete heavily for the family restaurant customer.

Many of these chains grew up with and helped develop the coffee shop segment. Today, some of these pioneers have grown extensively and are looking at new concepts and vehicles for expansion. Others are content to expand slowly, if at all.

In southern California, for instance, the nine-unit Hof's Hut chain has not opened a restaurant since 1975, according to executive vice president Craig Hofman. Instead, the 31-year-old chain has been concentrating on remodeling and upgrading existing units.

"We've added a lot more as far as decor is concerned," Hofman says. Some of the changes have included adding carpeting and more table seating.

(Continued on page 70)

PACIFIC

California

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Del Taco Inc. of California	fast food tacos	Costa Mesa	169	$100
Pioneer	fast food chicken	Los Angeles	300	95
Round Table	fast food pizza	San Francisco	275	90
Associated Hosts	dinnerhouses	Beverly Hills	86	80
Specialty Rests.	dinnerhouses	Long Beach	40	70
Trans/Pacific Rests.	family rests.	Irvine	55	65
Carrow's	family rests.	Santa Barbara	85	65
Colony Foods	family rests.	El Cajon	110	55
Lyons	family rests.	Foster City	46	52
Trader Vic's	tablecloth	San Francisco	22	50
Calny	Mexican fast food	San Mateo	110	40
Hungry Tiger	dinnerhouses	Van Nuys	30	40
Cask 'n Cleaver	steakhouses	Cucamonga	32*	36
Hamburger Hamlets	dinnerhouses	Beverly Hills	25	35
Rusty Scupper	dinnerhouses	San Mateo	25	35
Don the Beachcomber	dinnerhouses	Hollywood	20	30
Pizza Time Theater	fast food pizza	Sunnyvale	91	—
Acapulco y Los Arcos	Mexican dinnerhouses	Pasadena	29	28
Spires	family rests.	Buena Park	25	25
Pup 'n Taco	fast food tacos	Irvine	115	25
Rusty Pelican	dinnerhouses	Irvine	12	24
Tiny Naylor's	family rests.	Santa Fe Spgs.	26	20
Sir George's	smorgasbord	Woodland Hills	34	20
Seafood Broiler	family rests.	Lakewood	10	19
Anthony's	dinnerhouses	San Diego	8	18
Norm's	family rests.	Long Beach	17	16
Scona's	dinnerhouses	San Francisco	4	13
The Grinder	family rests.	Santa Fe Spgs.	20	13
Hof's Hut	family rests.	Long Beach	9	12
Numero Uno	fast food pizza	Woodland Hills	33	12
Zim's	family rests.	San Francisco	14	10
Lawry's Prime Rib	dinnerhouses	Los Angeles	6	9
Captain Kidd's	fast seafood	San Diego	17	8
Gulliver's	dinnerhouses	Los Angeles	3	7
Pam Pam	family rests.	San Francisco	3	7
Mama's	cafeterias and rests.	San Francisco	6	5
Salmagundi's	cafeterias	San Francisco	6	5

*Includes 4 Lord Charley's and 2 El Gato Gordo

Source: *NRN research*

MOUNTAIN REGION

Dinnerhouses, specialty restaurants are fast growers in mountain region

(Continued from page 66)

specialty restaurants feature waiters and waitresses dressed in costumes of the Lone Ranger, Rebecca of Sunnybrook Farms and Superman. Dining areas are split into five or six different "environments."

The units also sport lounges where deejays start at 7 p.m. with big band music aimed at an older crowd and end the evening with the "Top 100" as younger diners move to the dance floor.

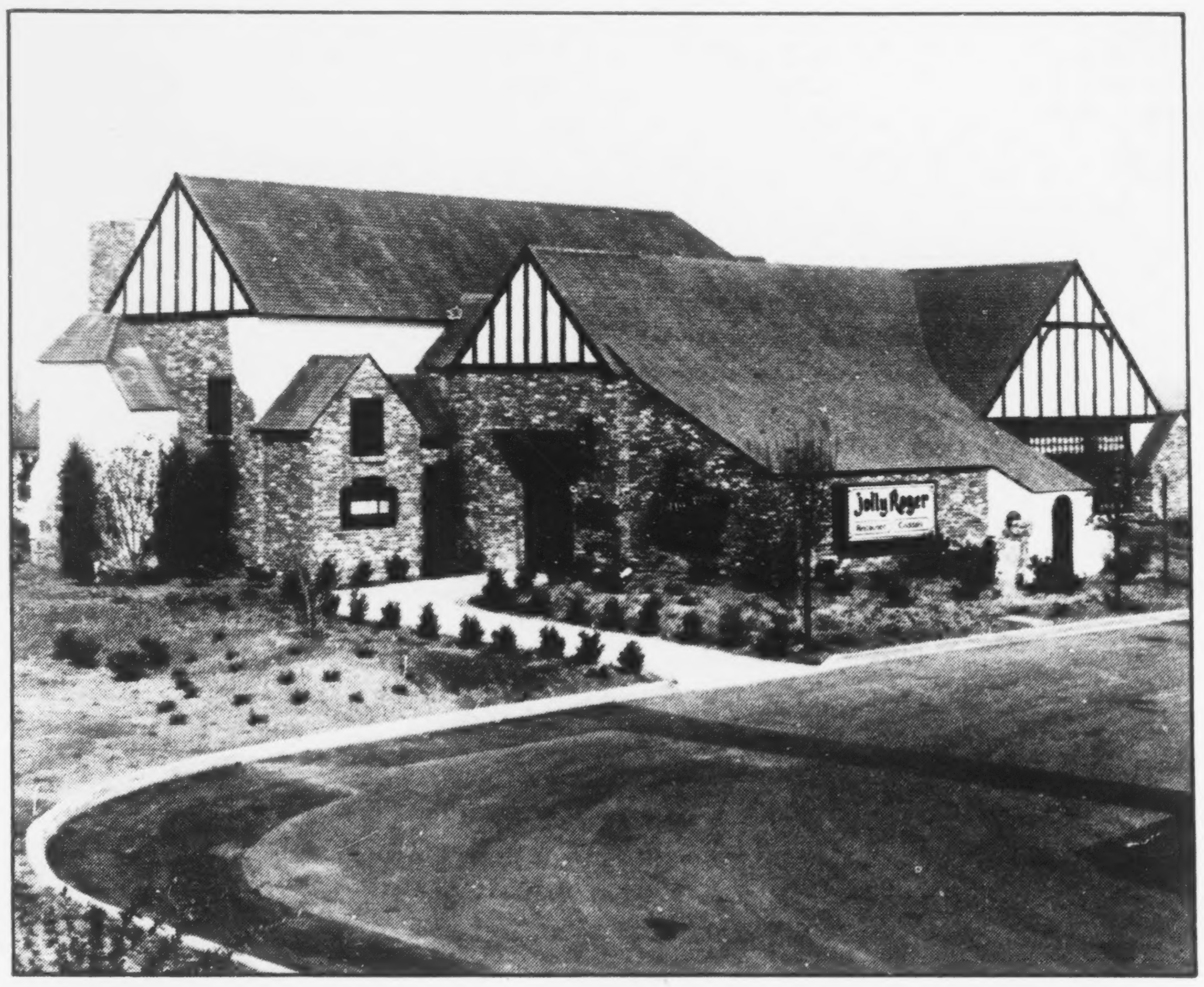
The supper club concept—where diners are given preference over those who've come just for the bar—hasn't detracted from a 45/55 liquor-to-food sales ratio.

CHILDREN LIKE MILK FLAVORED WITH
BAKER'S Vanilla AND A LITTLE SUGAR
PENNZOIL
Ballantine beer
mas
EER

A recent beer promotion resulted in increased liquor sales of $15,000 a month at Big Four Restaurants' Lunt Avenue Marble Club.

PACIFIC REGION

2nd tier chains are thriving in very competitive market



Jolly Roger, founded in 1948, has grown by adding new units and expanding into new concepts. The units feature a nautical theme.

(Continued from page 68)

The chain, which is headquartered in Long Beach about 30 miles south of Los Angeles, also is adding outdoor patios to its breakfast, lunch and dinner, family-style restaurants. Three of the new patios currently are operating, Hofman notes.

Each unit averages about 200 seats. Menus include burgers, omelets, quiche and chicken dishes.

Hofman points out that the chain stresses quality and has become known for its homemade style menu. The company has its own bakery and meat processing plant.

Despite the fact that no new units have been added in seven years, the privately held chain is generating $12 million in annual sales, or about $1.3 million per unit. Average per person check is about $4, Hofman says.

Another southern California chain, Jolly Roger Inc., has grown by adding units and expanding into new concepts. The chain, founded in 1948, operates 40 family-style nautical themed restaurants in California, Arizona and Hawaii. It also is the exclusive Hawaiian franchisee of Sizzler Family Steak Houses, operating seven of those units.

The $65 million restaurant chain recently formed a holding company called Trans/Pacific Restaurants Inc. in a move president Douglas Salisbury said would "allow us greater freedom in the development of new names and concepts while providing us with a more uniform identity within our various existing corporate organizations."

The new holding company will provide an umbrella for the various expansion programs the company is undertaking, Salisbury said, and controls nearly 60 restaurants. Sales growth for the year is projected in the 20% range.

The company, headquartered south of Los Angeles in Orange County, currently is developing a new concept centered around a casual "greenhouse" atmosphere and a menu that features quiche, homemade soups, specialty sandwiches and fresh fruits and vegetables. The new format is geared more toward the young adult and places more emphasis on a lounge business, company officials say. The first such unit, called McBride's, opened recently in Sacramento in northern California.

Tiny Naylor's, another longstanding coffee shop chain, is one of the pioneers of the so-called coffee shop segment. Based in Santa Fe Springs, the chain's first restaurant opened in 1928, and the resulting chain has gained strong recognition among local customers.

Six of its 26 units have been converted to a new concept that the company has developed for future growth. Called Tiny's Restaurant and Bakery, the concept includes a menu that features more than 200 items and offers upscale decor. A build-to-suit prototype unit, for instance, features wood beams, greenery, glass walls and a patio.

All baking, as the name implies, is done on premises.

The chain currently does an annual volume of $20 million. Seating in its coffee shops varies from 65 to 300 persons. The new prototype, however, seats 185 persons and has generated more than $1 million in its first year of operation, according to operations vice president Charles Burroughs. Check average is in the $5 range for all day, $7 for dinner.

Like southern California, the northern half of the state also has a number of strong regional coffee shop chains.

In Foster City, just south of San Francisco is the headquarters for Lyons, the 46-unit family restaurant chain owned by Consolidated Foods. For the last fiscal year, ended in June, the chain reported $52.2 million in sales. This year it expects to do about $58 million, and over the next 12 months add about five new units, according to marketing vice president Robert Fraser.

The chain is concentrated in northern and central California although it also has units in Nevada, Washington and Oregon.

Lyon's specializes in doing most cooking from scratch, Fraser notes. "We don't have any central commissary, and we do more prep cooking," he says.

At the same time, the 24-hour chain offers its 60-item menu at what Fraser describes as a good price-value relationship in an upscale coffee shop/family restaurant environment. Average per person check is in the $3.50 range. Newer restaurants average 180 seats.

Besides opening two new units last year, Lyon's has been concentrating on upgrading its lunch selections, improving its sandwiches and their presentation, Fraser said.

A strong "mini" chain in San Francisco is Pam Pam East Restaurant Enterprises. The three unit chain includes: Pam Pam East, an upscale California-style coffee shop in downtown San Francisco; Rosebud's, an English Pub-style dinnerhouse, also downtown, and Biff's Coffee Shop, an upgraded coffee shop across San Francisco Bay in Oakland.

Units

The three units gross approximately $7 million annually, according to owner S. J. Monro. The two coffee shops feature about 21 entrees and 18 sandwiches. Average check is $4 per person.

Rosebud's, which is open from 11 a.m. to 1 a.m., averages approximately $11 per person at dinner.

Monro points out that the two San Francisco restaurants are located in the center of 10,000 hotel rooms. Each restaurant does at least 50% of its business in tourist trade, he says. That means that the restaurants need to have attractive and clean exteriors in order to draw a potential customer inside. Once inside, however, the varied menu and courteous service takeover, Monro notes.

Locals eat at the restaurants because of their reputation, he adds. "Rosebud's is one of the few places that serves fine prime rib in San Francisco," Monro says.

Another local San Francisco coffee shop chain that concentrates heavily on the city area is Zim's. The 14-unit, family-owned chain was one of the pioneers in northern California.

Today, the chain is well-known by locals. Annual sales, according to president Steven Zimmerman, are around $10 million.

There are other coffee shop chains. About 100 miles up the coast from Los Angeles, atop a hill overlooking the Pacific Ocean on one side and downtown Santa Barbara on the other is the headquarters of Carrow's restaurants. A regional standout, the privately held company operates 85 Carrow's family restaurants in California, Washington, Oregon, Arizona, Nevada, Texas and New Mexico.

The majority of the units are in California. While company officials are hesitant to give average per unit annual sales volumes, *NRN* estimates that a typical 140-150 seat Carrow unit grosses between $750,000 and $800,000 a year.

Although it may seem like coffee shop chains dominate California food service, that is not the case. The state is home for a number of successful chains in every imaginable segment.

Seafood plays a major role in West Coast food service, and California has its share of local chains that are capitalizing on the fresh seafood concepts. Anthony's, which operates eight restaurants in six locations in the San Diego area, has its own central commissary and wholesale fish operation in order to guarantee quality. "We control processing of the fish from the time it comes in from the fishermen to the time it goes to the customer," says Anthony Ghio, vice president and general manager.

The first Anthony's Fish Grotto

(Continued on page 74)

Lyons RESTAURANT

Lyons, a 46-unit family restaurant chain owned by Consolidated Foods, specializes in doing most cooking from scratch.

NRN FOCUS

PACIFIC REGION

Seafood is trademark of Pacific Northwest

By Jim Storey

SEATTLE—Known for its seafood, the Pacific Northwest has spawned a number of second-tier chains whose concepts are centered around a nautical theme.

One such chain is Sea Galley Stores Inc., a 44-unit, upscale family-seafood chain headquartered in the suburban Seattle community of Mountlake Terrace.

The chain, which went public just over a year ago, is expanding at the rate of about one restaurant a month, according to president Steve Dowen. At last count, the company consisted of 34 Sea Galley restaurants and 10 Family Fish House restaurants.

Primarily located in the Pacific Northwest, Sea Galley took a major step into the Midwest last April when it purchased the 31-unit Family Fish House chain. The company has since sold off a number of the units and converted some of the others to Sea Galleys. The chain is in the process of converting the remaining 10 restaurants to Sea Galleys at the rate of about one every other month, Dowen says.

Dowen, 37, started the Sea Galley concept in 1975. He admits that the chain is "the seafood version of Stuart Anderson's Black Angus" restaurants.

The restaurants feature an upscale dinnerhouse atmosphere with a nautical motif. Depending on the size of the prototype, the restaurant will seat either 165 or 190 persons.

Average annual sales per restaurant are about $1.5 million, Dowen says. The chain did approximately $47 million in sales last year.

Sea Galley's menu features seafood and prime rib dinners grouped into four basic price ranges; $5.95, $6.95, $7.95 and $8.95. Average dinner check is about $9.

The dinner menu contains about 30 entrees which come with rice pilaf, french fries or baked potato and salad bar.

Dowen notes that the restaurant chain will be able to grow through 1982 and possibly into 1983 without any need for borrowing. The chain plans to expand by clustering units in residential markets.

Another seafood-oriented chain operating out of the Seattle area is Skipper's. The fast-seafood style operation has 117 restaurants, 10 of which are franchised. All operate under the name Skipper's Seafood 'n Chowder House.

The restaurants achieve a $3.50 per person check average with a menu that features fish and chips, shrimp, scallops, clams and chicken. Beer and wine is also offered in all units where the community allows it. Salad bars are in all units.

Current units seat 120 persons in booths and table arrangements that feature wood paneling and hanging plants. Average annual volume per unit ranges from $350,000 to $360,000, according to Skipper's president Eugene Stone.

Skipper's went public last May, Stone explains, to help fund an accelerated expansion program. The chain has undergone a remodeling program for the last two years and, Stone notes, is now ready for expansion out of the Northwest.

Skipper's currently operates in Washington, Oregon, Alaska, California, Utah, North Dakota, Colorado, Idaho and British Columbia. About two-thirds of its units, however, are located in Washington and Oregon.

Stone says the chain will be accelerating its franchising program and is considering breaking into new markets. It recently opened its first Colorado unit in Greeley.

The Northwest, however, also houses regional standouts that do not specialize in seafood. The Red Robin is just one example.

Founded in 1969 by Gerald Kingen, the full-service, gourmet burger chain today numbers 10 units, three of which are franchised (see other story). The restaurants do close to $20 million in annual sales, and the chain has mounted an aggressive franchising expansion drive.

Another standout is The Old Spaghetti Factory, based in Portland, Ore. The 17-unit chain was started in Portland in 1969 by the company's president, Gus Dussin. The company has stuck to a basic full-course dinner that includes salad, spaghetti, bread, ice cream and coffee, tea or milk. Average check is $4.25 to $4.50. Liquor is also available.

The restaurants, which range from 200 to 500 seats, average $1.25 million to $1.5 million in annual sales. The slowest unit does $600,000 annually, Dussin points out, while the best does $2.25 million. Company sales were approximately $23 million in 1981.

Although it is based in Portland, The Old Spaghetti Factory has expanded by going into large metropolitan areas with one unit. The chain is currently in Denver, St. Louis, Los Angeles, San Diego, Portland, Seattle and Honolulu, to name a few markets.

With few exceptions, the chain has expanded by taking over old, turn-of-the-century buildings, at least five of which are historic landmarks. The restaurants are decorated with what Dussin describes as "a lot of Victorian, eclectic junk. Some people call it antiques," he quips.

Decor includes ample use of stained glass, carved wooden tables, antique chairs and a trolley car in every restaurant.

PACIFIC NORTHWEST

Oregon

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Taco Time	fast food tacos	Eugene	245	$55
Int'l King's Table	smorgasbord	Eugene	57	35
Old Spaghetti Factory	dinnerhouses	Portland	17	23
Rian's	dinnerhouses	Portland	6	5
Hilaire's	dinnerhouses	Portland	3	5

Washington

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Sea Galley	dinnerhouses	Mountlake Terrace	44	47
Skipper's	fast seafood	Bellevue	117	30
Pizza Haven	fast-food pizza	Seattle	40	19
Restaurants Unlimited	dinnerhouses	Seattle	15	19
Red Robin	dinnerhouses	Seattle	11	17
Consolidated Restaurants	dinnerhouses	Mercer Island	15	13
Chapter Eleven	dinnerhouses	Spokane	11	11

Source: *NRN research*

Gourmet burgers headline Red Robin's success story

By Jim Storey

SEATTLE—Burger No. 19 on Red Robin's menu is called the Inflation Burger.

"It costs more," the long-winded description finally concludes. The price—$250.

Red Robin president Gerald Kingen readily admits that the Inflation Burger is a joke, as is burger No. 29, the Liberation Burger. That item, describes the menu, consists of a "roast male chauvinist pig . . . 'chaufroid' . . . sliced thin . . . and laid on a waterbed . . . by a California girl."

"We try to keep it fun," Kingen says of his entertaining menu and the 10-unit gourmet burger chain he began building in 1969. Kingen has the right to be smiling.

The 10 units are doing close to $20 million in annual sales, he points out. Last year, net profit was approximately $2.3 million. Average per person check for a chain whose menu features burgers is $6.15 for lunch and $6.60 for dinner.

All company-owned stores, Kingen adds (three are franchised), do over $1.2 million, with the company's 185-seat North Seattle unit grossing $2.3 million.

A typical Red Robin runs a food cost in the 33% range and labor, including employee benefits, in the 28% range. The restaurants average a net profit of 10%, with company-owned units averaging 13%, Kingen claims.

Red Robin recently initiated an aggressive franchising expansion drive. Company officials say that 10 investors have committed to develop a total of 50 Red Robins throughout

(Continued on page 74)

With a tongue-in-cheek menu, the 10-unit Red Robin gourmet burger chain is doing close to $20 million in annual sales.

NRN FOCUS

PACIFIC REGION

2nd tier chains abound in competitive atmosphere

(Continued from page 70)

was established in 1946. While the chain has always concentrated in seafood, its concept has been expanded from the family-style Grottos to include the gourmet Star of the Sea Room, two quick serve restaurants, and Anthony's Harborside.

Harborside, the company's newest operation, also contains a salad bar, and steak and steak and lobster entrees have been added to the menu.

The Grottos, which average 250 dining seats, have an average per person check of about $6.50, not including liquor, Ghio says. Star of the Sea Room, in contrast, seats about 85, and its checks average $27, including cocktails, per person.

This year, the privately held company will do over $18 million in total sales.

"We cook to order. We do not prepare anything ahead," says Ghio of the company's adherence to quality standards. "We buy nothing but first quality merchandise."

While the company operates on a set menu, it also makes allowances for unusual catches, he points out. "And when we can't get anything locally, we fly it in." Ghio says the company spends about $12,000 a month in freight costs to fly in fresh seafood.

Irvine-based Rusty Pelican, which opened its first unit in southern California in 1965, today has 12 seafood-style dinnerhouses in California, Oregon and Texas, doing $24 million annually.

The chain has grown using a number of names for its restaurants, including Ancient Mariner and The Rusty Duck. Now, however, "our entire thrust is on the Rusty Pelican," notes operations vice president Randy Howatt.

Rusty Pelicans typically offer 12 to 20 fresh lunch and dinner seafood entrees daily, as well as an elaborate hot and cold seafood appetizer bar in the lounge area. The dinnerhouses seat about 180 persons in the dining area and 180 in the lounge. Food comprises 65% of total sales.

Average per person check at a Rusty Pelican runs between $11.50 and $14, Howatt says. The prototype unit which the company is using for future expansion, is grossing $2.5 million annually, he adds.

The dinnerhouses are uniquely nautical, always incorporating water into the architecture either by situating on the ocean or by building a lake next to a unit or waterfalls inside the units.

The chain recently broke ground for a new unit in Phoenix. A second new unit is scheduled for 1982.

A family-style, full-course dinner concept centered around fresh seafood grilled over mesquite charcoal, the chain is planning to add three more units in the next several months. It is scheduled to enter San Diego in 1983 where it plans to build five units, according to Steifel.

The restaurants range in size from 145 to 200 seats and average per unit volume is just under $2 million. Last year, the then 10-unit chain reported sales of $19.3 million, a 48% increase over the prior year, which Stiefel attributed to new store openings.

The restaurants also feature an exhibition cooking area and a retail fish market where customers can purchase fresh fish to prepare at home.

The traditional red-meat dinnerhouses also have their standouts throughout the state. The three-unit Gullivers, for instance, has operated for 11 years serving only one entree for dinner—prime rib.

"We never felt it was necessary to diversify the menu," says Albert Levie, Gulliver's president, "as long as the volume was there."

The three dinnerhouses, which seat between 200 and 225 diners, are doing an annual combined volume in the $7.5 million range, Levie says.

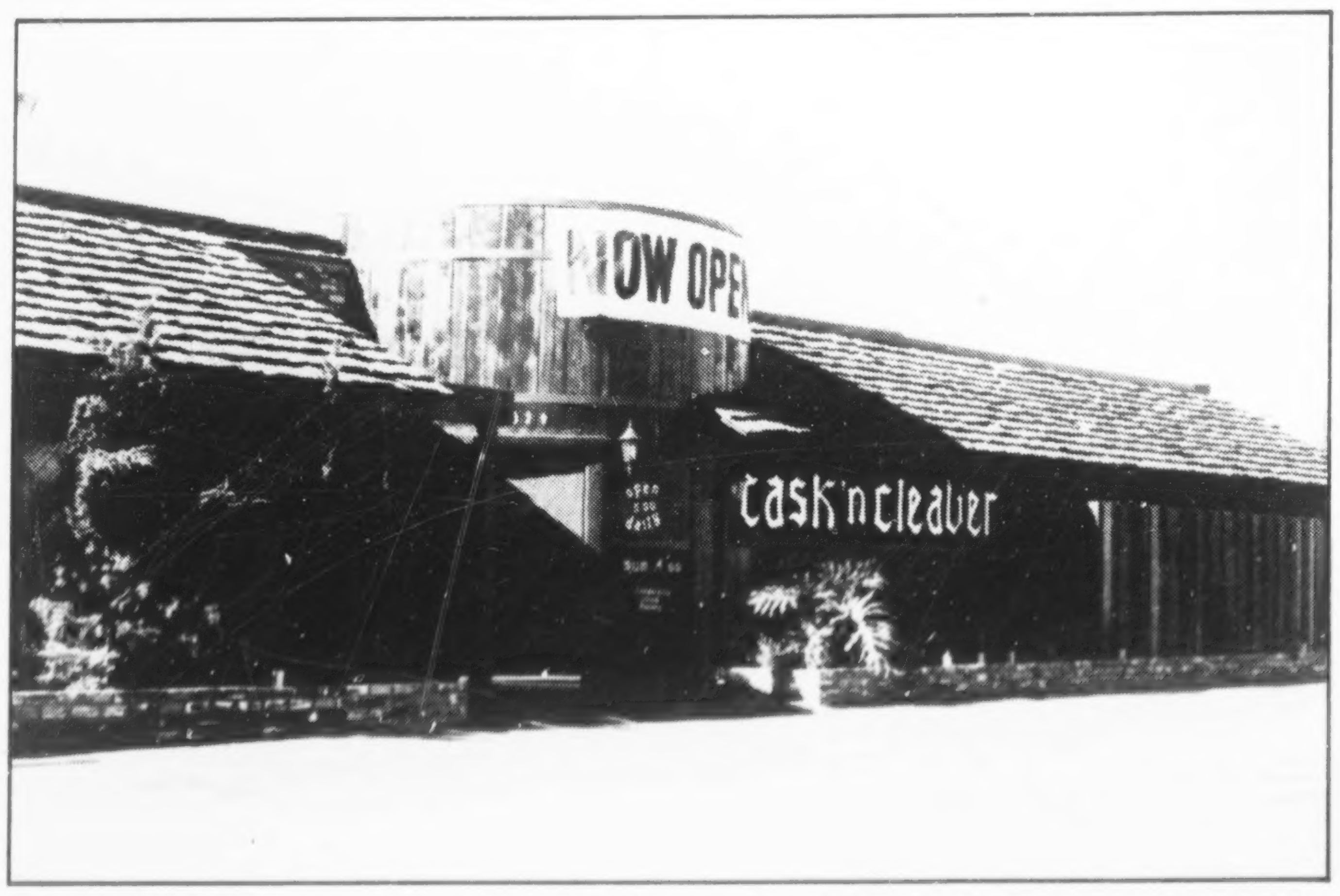
Themed around the literature classic "Gulliver's Travels," the restaurants convey an English dinnerhouse atmosphere and feature full-course prime rib dinners for a fixed price.

Lunches differ in that there are 10 different items plus a daily special.

Levie points out that his restaurants need to be in high-volume areas, since the restaurants are known more as special occasion dining establishments.

Two restaurants are located in southern California and one in Burlingame, south of San Francisco. While the southern California units will remain unchanged in terms of menu and decor, Levie says he has decided to diversify the menu at his Burlingame unit. The new menu will feature—besides prime rib—steaks, fish, poultry and lamb. If the concept is successful, he says he may consider expansion.

Another southern California dinnerhouse company that has stood the test of time is C & C Services. The management company oversees 26 Cask 'n Cleaver steak and seafood restaurants, four Lord Charley's upgraded English-style restaurants, and two El Gato Gordo Mexican dinnerhouses.



C & C Services in southern California operates 26 Cask 'n Cleaver steak and seafood restaurants.

C & C started in 1967 with its first Cask 'n Cleaver restaurant. Last year, the company had systemwide sales of $36 million, a 23% increase over 1980, according to president Eric Ward. He says the company expects sales of $42 million this year.

Cask 'n Cleaver restaurants feature steak and seafood with a salad bar. The restaurants seat about 140 persons in the dining area and 60 in the lounge. Average per person check, including liquor, runs between $12 and $13.

The average check at Lord Charley's units runs about the same as the Cask 'n Cleaver check, Ward notes. However, the Lord Charley's restaurants feature prime rib, poultry and seafood. Prime rib comprises about 45% of sales.

The El Gato Gordo restaurants are lower-priced Mexican dinnerhouses with per-person check averages in the $6.50 range.

Ward says the company likes to locate its restaurants in residential communities where the units can take on a local identity. The restaurants specialize in personalized service, he says, and attempt to get involved in community support programs.

C & C expects to open one El Gato Gordo and two Cask 'n Cleaver restaurants this year.

Probably one of the largest second-tier dinnerhouse chains is Associated Hosts Inc. Based in Beverly Hills, the company operates 83 restaurants and four hotels in 26 states. Fifty-two of the restaurants are Smuggler's Inns, which feature steaks, prime beef and seafood. Average per person check, including liquor, runs about $10. The restaurants average 250 to 300 seats, including lounge seating.

In fiscal 1981, ended Sept. 26, Associated Host reported sales of $79.9 million, a 4% increase over the prior year. Net income for the year of $2.1 million represented a 17% decrease, compared to the prior year.

Associated Host president Paul Rothman said the company's current thrust involves menu and concept changes. He said the company was considering converting some restaurants to all day menus featuring lighter-style dishes.

In San Francisco, Mama's represents another unique dinnerhouse operation. The company operates three restaurants inside Bay area Macy's department stores, one Macy's employee cafeteria, two restaurants in other locations and one

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Red Robin's success story is no joking matter

(Continued from page 73)

the Western United States and British Columbia over the next five years.

The franchising expansion drive should net the chain eight to nine restaurants this year, Kingen says.

The restaurants' decor incorporates brass, etched glass plants, Victorian style chandeliers, upholstered booths, carpeting and table seating. Four of the original eight Red Robin units also include electronic game rooms, an addition that larger franchisee units are also expected to incorporate.

Restaurant menus contain approximately 40 items including steak, fish, poultry, salads and soups. Burgers, however, are the mainstay. There are 27 from which to choose, not including the "joke burgers."

Burgers include the Chiliburger Superisimo—a patty topped with chili, cheddar cheese, chopped onions and diced tomatoes—and the Sinatra Burger, a breaded chicken breast topped with Italian sauce, mozzarella and Parmesan cheeses and anchovies. Food represents about 65% of sales.

In addition, Red Robin's menu includes a list of over 30 exotic drinks from, as the menu says, "Red Robin's Incredibly Creative and World Renowned Booze Production Division." The drinks run from $2 to $3.75.

Kingen, 38, bought his first Red Robin in 1969. Then a run down tavern near the University of Washington, the restaurant seated 65 persons and grossed $150,000 annually. Kingen more than doubled the size of the restaurant to 3,400 sq. ft., increasing seating to 134. And he began adding his gourmet burgers, the seasoning for which he learned while working in his father's drive-in restaurant as a teenager. Today, the restaurant has annual sales of $2 million.

In addition to the Red Robin restaurants, Kingen owns a number of other dining establishments, the names of which include Boondock's, Lion O'Reilly's, Salty's and the Great American Food and Beverage Co.

Investors interested in Red Robin need about $500,000 to gain territory and build and stock their first unit. However, that price varies. Franchisees pay Red Robin $25,000 for development rights of a specific area, plus 5% of sales.

Units currently are located in Washington, Oregon, Idaho, Colorado and California.

NRN FOCUS

PACIFIC REGION

California fertile ground for 2nd-tier chains

(Continued from page 74)

lounge, which the company is converting into a cabaret. The chain has annual sales in the $5.5 million range, according to vice president and general manager Raymond Latham.

Mama's flagship restaurant, located on fashionable Nob Hill, seats 200 persons and has a per customer check average, including liquor, of about $15, Latham says.

Latham explains that the restaurants are known for their "very high quality food, pleasant atmosphere and friendly service. We go out of our way to please our customers. We try to make them happy," he says. "We don't argue with them, we just do it."

Latham added that the company was not planning any new restaurants in the near future, but would concentrate on service and food, for which it has been known since the original restaurant was founded in 1951.

San Francisco is also home for a unique cafeteria-style soup and salad-style operation. Salmagundi opened its first soup and salad restaurant 10 years ago in the city's financial district. Open 11 a.m. to 3 p.m., the restaurant today generates $250,000 annually.

Today, however, the company consists of six restaurants, including two in southern California. The restaurants, which average 175 seats, will generate $5 million in sales this fiscal year, according to president David Hugle. Last year, which ended Oct. 31, the company grossed $4.25 million, he says.

"We consider ourselves upscale fast-food operations," Hugle explains. Per person check average is $4.85.

The brightly colored, cafeteria-style restaurants offer three different soups daily, served with salad and rolls. Quiche, dessert, beer and wine are also available.

California-bred pizza chains also are making their marks on the West Coast dining-out segment, competing heavily with the major national chains like Pizza Hut and Shakey's.

First and foremost is Pizza Time Theater, the Nolan Bushnell creation that stresses video games and amusements as much as it does its pizzas.

Bushnell, a pioneer of the video game industry, created Pizza Time Theater in 1977. The company went public last spring and currently has 91 units. About half are company-owned and half are franchised. Per unit volume is in the $1.2 million range.

A company spokesman said the chain would have over 100 units open by mid-March. The restaurants are presently in 20 states, although Pizza Time Theater is concentrated in California, Florida and Texas.

The units average size is 12,000 sq. ft., which is divided into a food and beverage area, a piano-bar cabaret, a game room and a lounge.

A much smaller, although more food-oriented franchise pizza operation is headquartered just north of Los Angeles in Woodland Hills.

Numero Uno, a 33-unit pizza restaurant chain, reported $11.8 million in total sales last year. The seven-year-old chain is comprised of 27 franchised units. Another 20 are scheduled to open this year, according to president George Marovich.

The 80-seat restaurants offer table service salad bars, and pasta dishes in addition to the thick-crust Sicilian-style pizza which is the Numero Uno specialty.

Pizza comprises about 75% of sales, and 40% of the business is to-go, Marovich says. A typical unit averages $436,000 a year, he notes, adding that the average check is around $6, not including beer or wine.

Units are located in residential areas, where they do the majority of their business at dinnertime.

While Numero Uno is the company's primary growth vehicle, Marovich notes that the company has also started developing a hot and cold sandwich restaurant called Sicily Subs. Three units are currently under construction and one is open. The new concept is designed for commercial areas, incorporates limited seating and is projected to gross $300,000 annually, Marovich says.

With its southern border adjoining Mexico, it seems only natural that California is headquarters for a number of Mexican food chains. One of these is Acapulco Y Los Arcos.

The Mexican dinnerhouse chain has been spreading its wings over the last few years, expanding out of its native California into Nebraska, Oregon and Kansas.

For fiscal 1981, ended Oct. 25, the 22-year-old company's 26 restaurants grossed $27.6 million, compared to 19.1 million for 19 restaurants at the end of 1980. Net income of $1.15 million for the year increased 15% over the prior year.

Currently, Acapulco has 29 restaurants, and an additional four units are scheduled to open during the remainder of the year; two in Ohio, one in Washington, and two in California. The chain is known for its extensive Mexican menu and the unusual award-winning recipes of founder, chairman and executive chef Raymond Marshall.

the old spaghetti factory
Hours—
MON thru THURS
FRI and SAT
SUNDAY
Free PARKING IN LOT BEHIND OUR BUILDING AFTER 5 P.M. SAT-SUN 4 P.M.

The Old Spaghetti Factory, founded by Gus Dussin, has been expanding from its base in Portland, Ore., throughout the Pacific region.

In the fast-food category, the 169-unit Del Taco Inc., which operates solely in California, is looking at malls as a new avenue of expansion. The company expects to add approximately 20 units this year, and recently purchased 12 Taco de Carlos units from Carl Karcher Enterprises. The units are being converted to Del Taco's, boosting the chain's number from 157 to 169.

Del Taco units average $650,000 in annual sales. The average check is about $2.50. The company grossed approximately $1 million last year, according to company estimates.

W. R. Grace purchased the rights to expand the Del Taco concept outside of California three years ago, but has not been successful with the concept. The California operation, however, remains a strong competitor in the state's Mexican fast-food segment.

California also has its own fast-food chicken mogul in Pioneer Take-Out Corp. The privately held, $95 million, 300-unit chain is currently in four states, but is seeking to expand into new geographical areas. About 70% of the chain is franchised.

Besides fried chicken, the chain also features fish, a limited sandwich line, corn, desserts and soft drinks, including the company's own Orange Whip. Units average between about $400,000 and $500,000 in annual sales. Volumes are highest in the Los Angeles area, where the chain's 155 units give it a strong market presence.

Company president H. R. Kaufman notes that the chain is scouting new markets outside the West, and may make a public offering within a few years.

Fried chicken chains thriving in Southeast

(Continued from page 56)

Minneapolis headquarters. The units average about $263,000 in annual sales, but that figure is weighed down by the large number of marginal, old stores.

Charles Cocotas, Golden Skillet president, said Dairy Queen will conduct a six-month fact finding mission before revitalizing the chain.

Franchisees, however, are already encouraged by Dairy Queen's operational expertise, marketing savvy and financial resources. Several expected that the prices they pay for some supplies will drop with DQ administration.

Cincinnati-based Famous Recipe was taken over almost the same time as Golden Skillet by Nashville-based Shoney's for $2.2 million. Many of the network's 220 stores are out of the South Atlantic region, but with Shoney's strong presence in the area, franchisees and observers alike believe Shoney's will make a strong play in its own backyard.

Chick-fil-A, based in Hapeville, Ga., with 237 units located exclusively in shopping malls, was the first to sell filet breast items, an idea now being copied by many chains. It is one of the steadier performers.

Baltimore-based Chicken George, with eight units, boasts average unit sales of about $1.7 million. With workers dressed in a derby, like the TV mini-series "Roots" character, Chicken George is making a strong play for blacks in urban areas.

The chain was launched in 1979 by Ted Holmes, a former personnel executive, first with the Chessie System and then with his own personnel agency, Aps. While not yet planning to go public, Aps, the parent of Chicken George, has held talks with investment bankers about privately placing debentures.

Financing is the name of the game in restaurant growth, and the hot dinnerhouse chains in the South Atlantic enjoy firm financial backers.

Golden Corral, based in Raleigh, N.C., numbered 185 units and systemwide sales of $108 million at the end of 1981. The budget steakhouse chain has made a name for itself by expanding through joint venture agreements throughout the rural Carolinas.

Quincey's, the steakhouse enterprise of Hardee's biggest franchisee, Spartan Food Systems of Spartanburg, S.C., is opening new units at the rate of one per week.

At the end of 1981, its 100 restaurants, averaging $825,000 in annual sales, had systemwide sales of $71 million. Spartan Food Systems, incidentally, is owned by Trans World, the airline conglomerate.

Darryl's, based in Raleigh, N.C., is owned by the General Mills restaurant group. The chain has added six units to the 11 it had in May 1981, and General Mills executives expect that growth will continue.

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Midwest operators battle to survive

By Joe Edwards

Hang in there, think positive and wait for spring. That sums up the philosophy that has been guiding food-service operators in parts of the economically depressed Midwest as they struggle through one of the most prolonged and disastrous downcycles in memory.

For some operators, the struggle is over: restaurant closings in some northern industrial cities have increased dramatically in the past year, according to operators and industry leaders contacted last month by *Nation's Restaurant News*.

Chain and independent restaurant operators are fighting back, however, with aggressive merchandising efforts, food and drink promotions, new menu items with lower-food costs, and tighter management controls.

Aggravating the region's serious economic problems was the brutal winter weather—the worst of the century, according to the National Weather Service. January was the cruelest month: on three consecutive weekends, the region was blasted with heavy snowfalls, high winds and subzero temperatures.

Those who talk about a recovery once spring arrives are trying not to dwell on the region's high unemployment rate, which in some cities is more than twice the national rate of 8.3%, and the on-going problems in the automobile, steel and related industries—all major Midwest employers.

In the past few years, many small plants have closed their doors forever and larger plants have laid off thousands of workers. Detroit alone has lost 138,000 industrial jobs since 1977 and Chicago about 30,000 jobs, according to the United States Commerce Department. The unemployment rate in Ohio is 30% higher than the national rate.

What this means for restaurants is fewer customers. "Even the people with money are afraid to spend it because they think things are getting worse," one operator said. Another noted that large companies have cut back on expense accounts for their executives, which also spells trouble for restaurateurs.

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Cattlemen step up beef controversy; level new charges

By Ken Rankin

WASHINGTON—Cattlemen are accusing restaurateurs of fighting to keep a system that, the stockmen charge, allows the restaurant owners to buy undesirable, overfat beef carcasses at bargain basement prices.

The current U.S.D.A. beef grading formula encourages ranchers to produce "significant numbers of overfat carcasses" in order to "get a certain percentage of cattle into the 'Choice' grade," representatives of the National Cattleman's Association maintained.

Supermarkets "won't buy this excessively fat, poor-yielding meat because the retail customer won't buy it," and as a result this beef must be "sold at sharp discounts" to be "processed for sale through some restaurants," NCA lobbyists said.

The cattlemen's group leveled those charges during showdown U.S.D.A. hearings in Washington on the department's plan to slash back on the "marbling" requirements of beef which may be sold as "Prime" and "Choice."

For their part, officials from the National Restaurant Association argued that the blame for overfeeding belongs to the cattle industry itself, and that lowering the quality requirements for Federally graded beef won't stop ranchers from trying to boost their profits by

(Continued on page 93)

Beef producers issue rebuttal to NRA

NRA chairman Walter Conti presides during beef taste test held at the Loews L'enfant Plaza in Washington. Members of the press were asked to compare "Choice" beef under the current standard with a cut that would become "Choice" under the U.S.D.A. proposal.

WASHINGTON—Responding to the National Restaurant Association's publicity barrage attacking U.S.D.A.'s proposal to water down current Government beef quality grading requirements, representatives of the National Cattlemen's Association argued that the department's plan would not create massive supply problems for the food-service industry.

"We recognize the importance of the restaurant industry in marketing our beef—in fact, the away-from-home market in total accounts for 25% of the beef tonnage," National Cattlemen's Association president Sam Washburn told U.S.D.A.

"However, about half of this beef is ground beef, and of the remaining 12½%, only a small portion is heavily marbled beef for the white tablecloth-type restaurants," he maintained.

"We are confident that the

(Continued on page 93)

Beefsteak Charlie's charges into dinnerhouse spotlight

By Roman Czajkowsky

NEW YORK—Beefsteak Charlie's, which only five years ago reorganized under Chapter XI of the Federal Bankruptcy Act, has re-emerged as a major, and still growing, factor in the dinnerhouse segment.

The New York City-headquartered chain, a successor to Steak & Brew, has more than doubled the number of its units over the past four years, and currently operates, manages or franchises a total of 62 restaurants along the Eastern Seaboard.

Of these, 59 are Beefsteak Charlie's (of which three are franchised) and three are other concepts.

With the restaurants averaging about $1.4 million in sales and the expected addition of between 12 to 18 new units this year, Beefsteak Charlie's should cross the $100 million line in 1982.

According to most recent data, total sales in fiscal 1981, ended Oct. 31, were $87.9 million, an increase of 81% over fiscal 1980.

Income before an extraordinary item—a $1.1 million operating loss tax benefit carry forward—was $2.14 million, an 88% increase over 1980.

To analysts, the balance sheet looks attractive in other respects as well. For example, Beefsteak Charlie's has a relatively low level of long-term debt, and a portfolio of real estate leases in prime commercial areas that should permit financial and operating flexibility.

Beefsteak Charlie's all feature steak, other beef specialties, barbecued baby back ribs, chicken and seafood. The company's strategy has been to design and price the menu for volume; most restaurants fea-

(Continued on page 94)

Lobbying effort in Ohio

Soda tax compromise proposed

COLUMBUS, Ohio—Ohio restaurant operators are pushing new compromise legislation to apply the state's controversial "soda tax" equally on all soft drink products.

The new bill, which has the backing of the Ohio State Restaurant Association, would repeal the current $2.75 per gal. tax on "post-mix" soft drink syrup and replace it with an across-the-board tax of one tenth of 1¢ per ounce on all soft drinks—including bottled and canned sodas.

Ironically, Buckeye food-service operators are lobbying for the tax change despite a state court ruling earlier this year declaring the original Ohio syrup tax unconstitutional.

State revenue officials are continuing to collect the soda tax while that decision is being appealed, and Ohio restaurateurs suspect that the ruling will ultimately be reversed.

"Our people are simply not willing to continue paying this burdensome and discriminatory tax for years while this case winds its way through the appeals courts," OSRA executive secretary Robert Henry told *Nation's Restaurant News*. "We would rather compromise now on a revised tax formula that would treat all soft drink products equally."

The association's proposal would accomplish that without reducing tax revenues for Ohio, which is already facing a $983

(Continued on page 93)

LATE NEWSBREAKS

Roger Kisiel and Ralph Peterson, both former Hardee's executives, have been named Sambo's president/chief operating officer and executive vice president/chief financial officer respectively. The moves came as Robert Luckey, former Chart House president and ceo, began organizing his new Sambo's management team as chairman and ceo. Kisiel, 43, was Hardee's operations senior vp and then briefly was president of Chart House's Luther's barbecue chain. Peterson, 47, was former chief financial officer and then Stop & Shop Co.'s financial vp the last few years. (Earlier story, Page 3.)

Testing of the McRib barbecued pork sandwich, McDonald's newest menu item, has been expanded beyond its Kansas City and southern California base to several other market areas, including the New York region.

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A&W takeover by mall developer finalized

TROY, Mich.—In a long-anticipated move, United Brands finalized the sale of its 900-unit A&W chain to a major shopping mall developer, Taubman Investment Co. Price was undisclosed.

A. Alfred Taubman, under the auspices of Taubman Investment, negotiated the terms of the sale over the last six months. The Taubman Co. manages 22 shopping malls across the country; Taubman sits on the United Brands board of directors.

Former A&W president Frank Dwyer will be a consultant for the company until March. Taubman has appointed Jerry Hoskins, a newcomer to the food-service industry, as executive vice president and acting president.

"We hope to capitalize greatly from A&W's tremendously good name," Hoskins said. Acknowledging the diversity of the chain's restaurants, which span the gamut between sit-down restaurants, drive-ins and snack shops, he averred that "the A&W concept is broad enough to accommodate all of the forms it has taken over the years."

But he said that the company's development of new restaurants would probably tilt toward the new "healthy and natural" concept of menu and decor now testing at a few units.

The sale effectively puts an end to speculation that A&W would be merged with the faltering Wuv's chain, which has filed a Chapter XI petition for reorganization of debts.

Taubman is known as one of the few United Brands board members who believed that the long-troubled A&W chain could become profitable if the parent corporation made significant investments in its development. But the board, reportedly, did not endorse this view, and the chain has languished, losing more than 1,000 units over the last several years and sustaining one of the lowest average annual unit sales figures among major chains in the industry: $180,000.

Soon after acquiring the company in 1973, United Brands began to market canned root beer under the A&W name in supermarkets. The item has reportedly been among its most profitable.

The corporation was, reportedly, further deterred from investment in the A&W division

(Continued on page 93)

A. Alfred Taubman
Taubman Investment

Forecaster at COEX sees better times for food service

By Charles Forman

MIAMI BEACH—Better times for food service should be just down the road, according to leading economic forecaster Lawrence Chimerine, Chase Econometrics board chairman.

The United States economy's "underlying fundamentals are brighter now than at any time in the last four years," Chimerine told food-service manufacturers and operators gathered at the Fountainbleau Hilton here last month for COEX '82, sponsored by the International Foodservice Manufacturers Association.

"It is characteristic of these fundamentals that they are particularly favorable for food service," Chimerine said.

He told the manufacturers and operators that energy prices are going down, inflation has moderated dramatically, food prices are stable, productivity is starting to go up and consumer spending has held up well through a recessionary period.

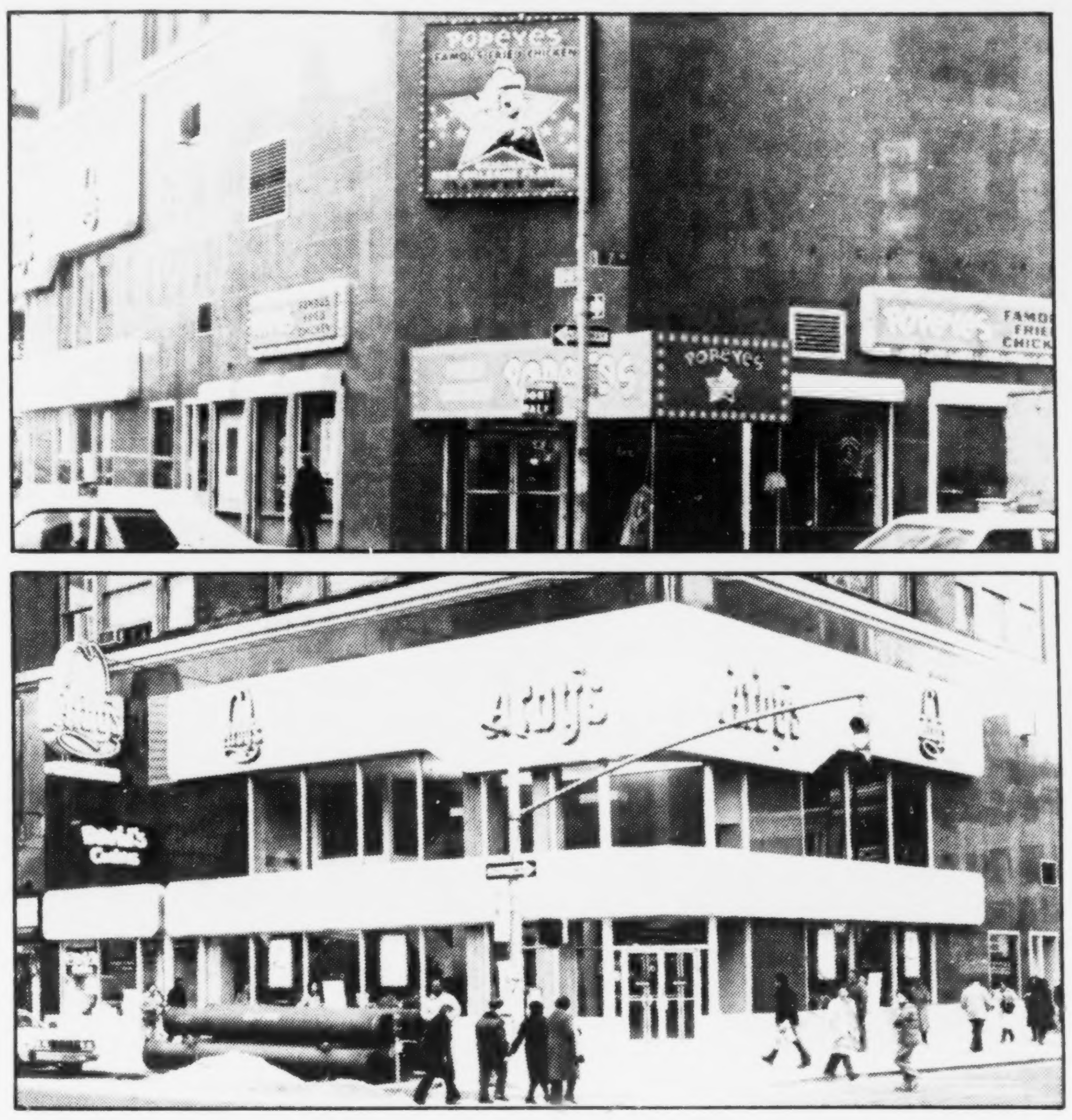
There's a wild card, though, in the hand he sees being dealt United States business, Chimerine warned. That's the disposition of the projected $92 billion deficit in President Reagan's budget.

"If the unbalance in the proposed Federal budget is not scaled back, interest rates will rise to new record heights and the recovery will be aborted," he predicted.

Chimerine said he felt an acceptable compromise on the budget deficit would, in fact, be reached later this year.

"You are going to see a big rise in consumer spending," he forecast.

(Continued on page 94)



Fast Food Operators Inc., a Popeyes' franchisee, and Horn & Hardart, an Arby's franchisee, share a midtown Manhattan building. Each acquired half the lease from a clothing store which went out of business.

High N.Y.C. rents put pressure on restaurant operators

By Joe Edwards

NEW YORK—With rents in midtown Manhattan as high as $60 per square foot, food-service operators are facing extreme sales and profits pressures. In some cases, though, they are taking advantage of new opportunities brought about by soaring real estate values.

Benefiting most are the older, New York-based operators who own property or hold long-term leases negotiated when rents were much cheaper. Some actually are realizing heftier profits by shutting their restaurants and selling or subleasing their sites to other retailers.

For the majority of operators, the key to success in New York is building unit sales volumes. Annual sales of $1 million for a midtown fast feeder often are not good enough to break even.

Compounding the cost-related problems of doing business in New York City is the low vacancy rate in Manhattan's choice commercial neighborhoods. Sites are so scarce then even dingy storefronts in old buildings command rents as high as $25 per square foot.

High rents and low vacancies are facts of life in many American cities, but nowhere do they seem as acute as in Manhattan. "I spend one full day a week looking at sites and about 10% of every day talking to brokers," Aaron R. Fodiman, a Popeyes' franchisee, told *Nation's Restaurant News*.

"We think about it all the time," said Fodiman, who oper-

(Continued on page 94)

Operators face restraints with budget cuts

By John Friedman

WASHINGTON—President Reagan's new budget could impose financial restraints on the restaurant industry, beyond burdens the estimated deficit of at least $92 billion is expected to place on the nation's economy.

Restaurant officials are particularly concerned about Reagan's proposals for fiscal 1983 to sharply limit the use of Industrial Development Bonds (IDB's). McDonald's and other chains have systematically taken advantage of these bonds to underwrite their growth.

In 1979, for example, McDonald's used the low-interest bonds to construct over 30 fast-food units in Pennsylvania and Ohio alone.

Issued by states and municipalities to encourage growth, interest from IDB's is tax-free and therefore below most market-rate levels.

The Reagan Administration is proposing that beneficiaries of the bonds choose between the bond's tax benefits or the new depreciation schedule in the 1981 tax legislation. Otherwise, firms can benefit from so-called double dipping.

Treasury Secretary Donald Regan recently pointed out that companies should have to use the "old type of accounting" if they want the benefits of the IDB's. If they choose to use the accelerated cost recovery system of the 1981 tax act, they should be prohibited from using the bonds, he suggested.

Under the Administration's new budget proposals, IDB's issued after 1982 must be depreciated using the straight line method. Furthermore, IDB financing will be limited to bonds that are publicly approved, and, after 1985, they must receive a financial commitment from the local government.

The President's budget also notes that "small issue industrial development bonds will not be allowed for large businesses."

Restaurant and retail industry lobbyists are also worried about proposals currently being considered by Congress that would prohibit retailers from using IDB's except for new locations in depressed areas. Retailers complain that such restrictions would be discriminatory.

The Congressional Budget Office claims that if the growth of these bonds is not checked, they could add $2.6 billion to the Federal deficit by 1986.

In its plans for depressed areas, the Reagan Administration is still working out the details for its so-called urban enterprise zones. Under the plan, the Administration is expected to offer a 50% wage credit to employers who hire workers under the Comprehensive Employment and Training Act (CETA) program.

Other benefits would include a special 25% investment tax credit; new Federal tax credits equaling 10% for businesses—15% for individuals—located in the zones, and a 50% exclusion on loans to firms in the zones.

Some 25 zones a year for the next three years would be created if current Administration proposals become final. This urban enterprise plan may, therefore, become a partial substitute for the present Targeted Jobs Tax Credit program, due to expire at the end of this year

HIGHLIGHTS IN THIS ISSUE

Budget steakhouse chains are blazing new trails, discovering what was popular in the 60's is changing in the 80's. In this issue, *NRN* explores new strategies resulting from tough economic conditions. *Pages 39 to 44.*

With robots scurrying around as waitresses and cooks what happens to the human element of food service? In an editorial, *NRN* editor Charles Bernstein warns opertors about the pitfalls of dehumanizing operations. *Page 6.*

"Tastes of the World," at the '82 World's Fair in Knoxville, Tenn., underlines what promises to be a boost to area restaurant sales. *Page 18.*

Brandy's emerging popularity after many static years is explained by *NRN* Wine and Spirits columnist Mort Hochstein. *Page 32.*

A mirrored-kitchen design is boosting sales beyond $7 million at Garcia's of Scottsdale's Mexican dinnerhouses. *Page 36.*

Ailing airlines are attempting to draw more passengers with more fare cuts and promotions. *Page 15.*

"Great Restaurant Innovators: Profiles in Success," by *NRN* editor Charles Bernstein, offers composite portraits of pioneers in the industry. In this issue, former *NRN* editor Ben Gordon reviews the book. *Page 53.*

Burger Chef founder Frank Thomas Jr. discusses his 28-year-old chain and where it's heading. *Page 54.*

Marketing expert Barry Klein advocates the long-term benefits of research, in his fourth in a series of marketing memos. *Page 34.*

Understanding crowd behavior unravels mysteries associated with feeding fans in stadiums. *Page 23.*

Despite an offbeat location, Joanna's is posting sales of $3 million in its first year of operation. *Pages 65 to 66.*

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FINANCIAL NEWS

Holiday Inns' profits climb 11.7% in 4th quarter

MEMPHIS—Holiday Inns Inc., the diversified hospitality company based here, has reported an 11.7% increase in net income to $13 million for the 1981 fourth quarter ended Jan. 1, 1982. Revenues rose 4.4% to $423.8 million compared to the same period a year earlier.

Net income for the year jumped nearly 27% to $137 million on a 15% rise in revenues to $1.7 billion.

The gains were attributable to increased capacity and improvement in Holiday Inns' gaming operations and to margin improvements in the hotel group, according to Michael D. Rose, president and chief executive.

The gaming group, which includes hotel-casinos in Atlantic City, N.J., and Las Vegas, Reno and Lake Tahoe, Nev., "substantially increased its contribution to corporate earnings by more than doubling operating income," Rose said. Harrah's Marina, the company's hotel-casino in Atlantic City, accounted for much of the growth in its first full year of operation, he added.

Holiday Inns hotel operations improved margins despite lower occupancy levels. Increased profitability at company-owned domestic properties, gains on asset dispositions and higher franchise revenues accounted for the hotel group's positive performance, Rose said.

The occupancy rate at Holiday Inns' company-owned hotels dropped to 69.2% in 1981, compared to 71.5% in 1980, a spokesman said. Occupancy rates for the entire Holiday Inns' system worldwide have not been compiled yet.

Perkins Inc., Holiday Inns' Minneapolis-based restaurant subsidiary, posted gains in operating income to $6.5 million and in operating revenues to $96.3 million for the year. Comparative figures were not available.

Hotel revenues dropped 10% in the fourth quarter.

Fourth quarter operating income increased 27%, led by an $8.9 million improvement at Harrah's Marina. The fourth quarter gains were aided by $5 million of favorable adjustments to steamship voyages completed in previous years.

Despite higher operating income, pretax income for the 1981 fourth quarter dropped $1.9 million to $16 million due to higher corporate expense and interest.

General Cinema invests in Heublein

FARMINGTON, Conn.—General Cinema Corp. has purchased 9.7% of Heublein's common shares for an estimated $75 million. General Cinema indicated it plans to purchase at least 5% or 6% more of the stock but insisted the entire move was for "investment purposes."

Heublein earlier denied reports it was involved in merger talks with R. J. Reynolds Industries. Heublein said it had no interest in being acquired by anyone and that its strategy is to acquire other companies.

Based in this Hartford suburb, Heublein owns the KFC Corp. and is a leading liquor and wine producer. General Cinema, based in Boston, is the largest movie theater chain and soft drink bottler.

General Cinema previously sold a 5% interest in Columbia Pictures to the Coca-Cola Company.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Feb. 26			Change		52-Week		Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change					Indicated Dvd Rate			Last Fiscal Year			Last Fiscal Year (Per Share)		
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt	Pct	5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Amt	Yield	Last X-Dvd Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil	$ Mil		$	$	—
Aca Los A Res	ALAR	5.75	5.63	5.63	-.38	-6.25	10.63	5.38	-1.18	.18	-1.50	26.62	.34	.02 N	5.8	14.0	5.8	15.6	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	15.38	14.13	14.38	.25	1.77	21.88	10.00	-.23	-.59	-3.35	-1.42	1.67	.40 F	31.4	73.0	6.3	8.6	.20	1.4	07-27-81	114.7	6.7	1.4	17.7	8	0780
ARA Services	ARA	28.75	25.25	28.13	3.13	12.50	37.25	23.75	.17	1.52	.44	-8.01	4.00	-1.20 F	-23.0	4.0	1.5	7.0	2.00	7.1	11-24-81	2806.0	63.2	1.2	21.0	42	0980
Assoc Hosts	AHST	5.00	4.88	5.00	.13	2.56	8.63	4.38	-.34	.07	1.01	30.25	.80	-.37 N	-36.6	-2.0	3.3	7.8	.12	2.4	12-08-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	3.38	3.13	3.25	-.13	-3.70	4.88	1.63	-.46	1.05	.44	2.14	.47	.14 S	31.8	41.0	2.3	5.6	.00	.0	00-00-00	47.7	1.1	.8	1.8	2	1080
Bob Evans Farms	BOBE	22.00	20.50	21.25	1.00	4.94	22.69	15.19	.08	-.95	.57	-32.49	1.35	.29 S	26.1	33.0	9.1	15.2	.40	1.9	09-21-81	125.2	11.4	1.7	.0	5	0480
Bonanza Intl Inc	BNZA	1.88	1.50	1.50	-.38	-20.00	6.88	1.50	-.65	-2.73	2.59	-1.55	.24	-1.49 N	-647.8	-37.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel Cp	BHC	16.88	14.00	16.88	2.75	19.47	16.88	6.00	.92	3.47	-1.68	42.13	.44	.08 N	20.0	28.0	4.2	35.2	.08	.5	08-11-81	104.3	4.4	1.0	8.5	3	1280
Calny Food	CLNY	11.50	10.75	11.00	-.50	-4.35	15.50	8.50	-.42	.77	4.16	49.02	1.35	-.07 S	-4.5	8.0	2.2	7.5	.20	1.8	10-28-81	41.7	.9	.4	14.4	6	0281
Carrols Develop	CRL	5.50	5.13	5.38	-.09	-1.71	10.00	3.97	-.48	.06	-3.69	-83.33	.86	.44 Q	74.5	34.0	2.4	5.2	.09	1.7	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	20.38	20.13	20.38	.13	.62	22.88	10.06	.13	.03	.33	41.39	1.75	.28 N	16.5	12.0	4.9	10.3	.60	2.9	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	21.13	18.13	21.13	2.63	14.19	27.25	11.94	-.10	.83	5.62	18.93	.46	.34 Q	161.9	35.0	12.9	38.4	.00	.0	06-02-81	7.5	.5	2.1	1.3	1	0480
Ch Full O Nut	CHF	13.88	12.63	13.50	.13	.93	13.88	6.00	-.06	.99	-3.17	33.68	.66	-.03 F	-4.3	8.0	2.7	20.5	.40	3.0	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	27.75	25.50	26.00	-1.13	-4.15	37.38	23.25	-.17	.18	6.15	-13.73	3.01	.55 N	18.7	24.0	9.9	7.5	.84	3.2	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	3.00	3.00	3.00	.00	.00	4.63	1.50	.39	.11	.98	11.82	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	14.63	11.75	13.00	1.13	9.47	14.91	7.13	.09	-1.34	-1.84	-11.60	1.56	.23 Q	15.0	10.0	2.8	7.4	.24	1.8	10-26-81	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	7.50	6.88	7.25	-.50	-6.45	10.13	5.00	-.05	-.65	4.42	-8.81	-.08	.07 Q	NC	NE	-1.5	103.6	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0581
Dennys Inc	DEN	31.75	29.00	30.13	.50	1.69	31.75	17.13	-.09	-.85	-2.20	-1.81	2.96	1.12 Q	54.6	5.0	3.2	9.5	.88	2.9	12-08-81	840.7	26.9	1.5	24.0	20	0681
Dunkin Donuts	DUNK	14.25	13.63	13.75	.13	.92	18.25	9.34	-.12	-1.09	-1.38	-5.65	1.53	.35 N	24.6	21.0	8.2	7.8	.30	2.2	08-17-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	8.41	7.50	8.00	-.19	-2.29	8.66	4.56	.01	.21	-2.54	26.80	1.39	.67 Q	65.6	13.0	3.0	4.7	.35	4.4	11-30-81	97.0	2.9	1.2	7.2	13	0581
Gines	GNO	20.13	15.00	18.25	1.50	8.96	20.13	6.75	.93	-1.09	-.21	27.76	1.67	.47 N	470.0	-5.0	1.4	32.0	.44	2.4	11-12-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	6.75	6.75	6.75	.00	.00	9.00	6.25	-.18	.05	1.60	.00	.27	-.95 F	-77.8	-16.0	.7	25.0	.00	.0	00-00-00	24.0	.9	1.0	18.1	12	0380
Hardwicke	HAWK	2.88	2.25	2.50	-.38	-13.04	11.25	2.25	-.59	-2.05	.00	-4.60	.44	-.20 N	-34.4	-10.0	8.6	6.6	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	41.63	39.00	40.63	1.75	4.50	52.25	33.25	.03	-.09	-.02	9.01	4.00	.21 N	5.3	35.0	20.3	9.9	1.80	4.4	12-14-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	30.13	27.75	28.25	-1.13	-3.83	33.25	21.13	.13	-1.52	-1.22	34.57	2.92	.69 N	23.6	28.0	7.1	7.8	.74	2.6	09-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	44.50	44.50	44.50	1.50	3.49	48.75	32.25	.32	.09	-1.45	-50.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	14.63	13.25	13.88	.63	4.72	19.38	8.00	.99	-.95	1.67	2.95	.96	.10 N	10.1	42.0	3.1	12.7	.00	.0	03-10-80	128.2	4.0	1.8	16.9	7	1280
Host Intl	HII	29.50	27.25	28.75	6.75	30.68	29.50	12.00	1.94	1.19	5.81	36.98	2.74	-1.82 N	-62.1	4.0	3.9	25.9	.60	2.1	12-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.25	7.00	7.25	.25	3.57	9.38	5.25	-.04	.05	1.20	22.00	.92	.13 F	16.4	64.0	3.2	7.9	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.38	1.19	1.25	-.06	-4.76	2.00	1.06	.34	-2.76	.67	-63.27	.62	-.15 S	-21.1	28.0	2.1	2.2	.16	12.8	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	11.75	11.50	11.50	-.25	-2.13	13.25	8.13	-.47	.12	1.30	-4.00	1.34	.30 N	22.7	51.0	6.1	7.1	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
Int King Tab	IKNG	2.38	2.38	2.38	.13	5.56	3.38	1.75	.84	.14	-2.55	-45.71	-.65	-.06 F	NE	-35.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	4.00	3.50	3.63	.13	3.57	4.50	2.63	.95	-2.79	3.75	-43.75	.63	.63 F	NC	1.0	3.0	5.8	.00	.0	00-00-00	29.8	.6	1.1	3.9	5	0980
Jerrico Inc	JERR	21.25	19.25	20.88	1.00	5.03	27.63	14.19	-.22	-.27	.86	-40.25	1.70	.45 Q	32.6	24.0	5.6	11.4	.12	.6	11-06-81	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.13	3.88	4.13	.00	.00	4.38	3.25	-.20	.24	3.83	-16.22	-.25	-.51 F	-196.1	-23.0	-2.9	NE	.00	.0	00-00-00	16.8	.6	2.1	2.4	6	0980
Kelly Johnston	KEJO	15.75	13.75	15.75	2.00	14.55	16.25	10.75	-.14	.58	2.34	-29.88	.58	.74 S	NC	148.0	5.9	21.3	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	1.88	1.50	1.75	.00	.00	9.00	1.50	-1.52	5.33	-.59	-19.93	-.60	-.60 Q	NC	-93.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafeterias	LUBY	27.00	26.50	26.50	-.50	-1.85	28.25	17.00	-.30	-.46	-3.17	2.40	1.45	.27 F	22.8	24.0	8.9	18.3	.48	1.8	09-08-81	89.9	8.0	1.6	.9	5	0880
Marcus Corp	MRCS	6.38	5.88	6.38	.50	8.51	7.28	5.00	.15	2.11	-6.31	15.09	1.15	.08 Q	7.3	7.0	5.8	5.4	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	35.50	32.50	35.50	1.88	5.58	47.00	27.88	-.16	.40	-.50	-33.78	2.60	.59 N	23.9	28.0	4.2	11.6	.30	.8	12-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	68.50	64.00	66.00	-1.50	-2.22	72.88	44.38	-.31	-.63	-2.25	33.97	5.49	1.03 N	19.4	19.0	10.1	10.4	1.00	1.5	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	8.63	8.50	8.63	.00	.00	13.88	8.25	-.52	.16	2.46	18.32	.95	-.04 Q	-4.0	6.0	3.9	9.1	.32	3.7	10-09-81	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.25	2.13	2.25	.13	5.88	4.75	2.13	-1.23	.90	6.52	1.40	.22	.04 F	22.2	43.0	.5	10.2	.02	.9	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	1.25	1.25	1.25	.00	.00	2.38	.88	.84	.00	3.89	24.42	-.87	-.53 Q	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.00	9.25	.25	2.78	12.25	9.00	-.14	.66	12.56	87.50	1.28	.71 N	63.3	19.0	1.0	5.1	.32	3.5	09-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	11.38	9.75	10.75	.75	7.50	11.38	5.00	.94	2.10	6.99	38.40	1.05	.55 F	110.0	23.0	5.2	10.2	.20	1.9	11-19-81	76.4	2.3	2.6	9.8	6	0880
Piccadilly Caf	PICC	15.25	14.75	15.13	.38	2.54	19.00	11.88	.02	-.07	-2.44	-15.63	1.30	.21 Q	18.4	15.0	6.1	11.2	.48	3.2	12-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	7.13	6.50	6.88	.25	3.77	11.50	3.88	-.07	-.67	-.27	-8.58	.59	.08 N	14.5	-2.0	1.4	10.9	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Ponderosa Sys	PON	16.25	14.25	15.38	.38	2.50	19.75	9.88	-.02	-.15	-1.44	14.12	.60	.41 N	39.4	3.0	.8	10.6	.40	2.6	12-01-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	7.38	6.13	7.00	.88	14.29	12.50	5.25	.43	.48	2.79	.23	.53	.70 N	184.2	33.0	4.1	6.5	.12	1.7	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	4.88	4.50	4.63	.00	.00	8.25	3.13	-.41	.42	-.44	-50.00	.64	.39 N	60.0	29.0	1.6	4.4	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	20.50	18.75	20.50	1.50	7.89	23.75	7.25	-.14	2.05	-1.42	-8.08	2.36	1.05 Q	68.6	15.0	1.4	7.9	.44	2.1	11-16-81	819.0	11.6	.9	9.3	15	0681
Sambos Rests	SRI	2.00	.63	1.25	-.88	-41.18	6.25	.63	-2.68	4.00	6.81	-41.17	-1.05	2.34 N	NE	-55.0	-2.4	2.1	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
SeaGalley	SEAG	9.38	9.00	9.25	.25	2.78	17.88	5.16	.03	.61	.27	-18.49	.55	.69 N	NC	53.0	5.7	13.4	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	8.50	7.50	8.50	.75	9.68	13.00	7.00	-.10	2.20	-1.34	-32.20	1.10	1.34 N	183.5	22.0	2.5	4.1	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	15.00	13.63	15.00	1.50	11.11	15.00	9.75	.09	.96	.10	11.81	.83	.16 N	19.7	20.0	5.6	15.5	.16	1.1	10-13-81	210.6	11.8	1.0	1.2	4	1080
Sonesta Hotel	SNSTZ	10.50	10.25	10.50	.25	2.44	15.00	9.16	-.14	.58	2.14	22.58	2.24	.09 N	6.2	80.0	3.6	6.9	.20	1.9	12-28-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	2.69	2.63	2.69	.00	.00	3.25	1.44	-.50	.50	-.33	-10.88	.06	.09 F	NE	-30.0	.5	44.8	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Treadway	TCO	.00	.00	12.25	.00	.00	12.38	6.25	-.16	.05	-19.35	.00	.70	-.30 N	-29.7	8.0	4.4	17.3	.28	2.3	06-29-81	22.7	1.0	.6	5.6	7	0880
Valles Steak	VLE	6.50	5.88	6.00	1.00	20.00	7.63	4.25	.74	.06	4.81	29.00	-.22	-.35 Q	-205.8	-26.0	-.9	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	8.50	8.00	8.38	.38	4.69	11.25	6.13	-.33	.52	-5.91	-9.77	-1.85	.72 S	NE	-37.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	8.50	7.75	8.25	.50	6.45	8.88	4.63	.08	-.28	4.31	-14.96	-.05	.43 N	NC	-2.0	-.2	19.2	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	15.13	14.50	14.75	.00	.00	19.38	8.59	-.61	-.16	.31	-31.04	1.34	.32 N	27.3	30.0	8.7	9.9	.28	1.9	10-30-81	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	7.75	7.13	7.50	.38	5.26	13.63	6.50	-.18	.00	1.04	-11.44	-.49	-.81 N	-77.8	-42.0	-.9	32.6	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA Not Applicable NC Not Calculable NE Negative Earnings Q First Quarter S Six months N Nine months F Fiscal year
** Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261